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*Contract Termination Financing: A Concise Summary of Authorized
and Discussed Payment Procedures . . . The Underlying Trend of Business*



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The Cover

Wilkes-Barre, situated in the Wyoming Valley on the east bank of the Susquehanna River, 100 miles north of Philadelphia, is in the center of the anthracite coal region.

The town was settled in 1769 by colonists from New England under the leadership of Major Durkee on a grant from the Susquehanna Land Company of Connecticut and was named in honor of John Wilkes and Col. Isaac Barre, defenders of the American colonies in Parliament. On July 4, 1778, following the Battle of Wyoming, Wilkes-Barre was burned by the Indians and British Rangers. During the second Pennamite-Yankee War, a conflict over land claims between the New England settlers and Pennsylvanians, 23 of the community's 26 buildings were burned in July, 1784. The titles of the settlers were confirmed by Pennsylvania in a series of statutes passed in 1799, 1802, and 1807.

Wilkes-Barre, with a population of 86,236 in 1940, is an important manufacturing and commercial center. Manufactures include rayon silk, velvet, tobacco products, wire rope, lace, locomotives, biscuits, insulated wire, cables, beer, shirts, submarine nets, radio parts, tinware, fabricated metals, and window shades. The city has a large trade in coal-mine and railroad supplies. Included in its industries are railroad shops.

Its 1,492 retail stores in 1939 had sales of \$41,483,000; the 619 service establishments, \$2,740,000; and the 202 wholesalers, \$45,987,000. The 114 industrial plants in 1939 produced goods valued at \$36,851,779.

The cover illustration, obtained through the courtesy of the Osterhout Free Library, was painted in 1839 by George Leach, a native born painter of the Wyoming Valley. The spires in the distance are those of St. Stephen's Episcopal Church, and of the First Presbyterian Church.

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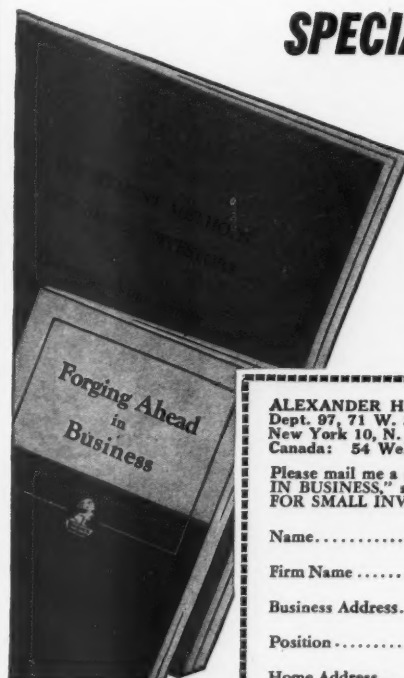
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This 14-year airplane parts worker, one of youngest in Birmingham area, is instructed by a grandmother, 83, who received introduction to war work as arms girl in Boer War. . . . BRITISH COMBINE PHOTO.



AN unusual opportunity to study the effects of the war on English industry and trade is afforded in this frank summary by a British management authority. Labor and factory space were released by concentrating work, limiting the area of delivery, and restricting the number of factories from which a customer might buy.

HOW ENGLISH BUSINESS CARRIES ON UNDER WARTIME STRAINS

HARRY WARD

*Secretary
Management Group No. 1,
London, England*

THE disturbance created by war in this country has been so great that one has to rely on long years of study of data, of examining factories in peace, and specific research in order to estimate the state of business and production. In peace, adequate national studies, not only of the volume but also of the application and skill of industrial workers, were lacking.

In spite of the whole strain of war on all classes in the community, the strain of relatives lost and missing, working through black-out, food on a reduced scale, bombing, disorganization of transport and services, the actual output judged by peace standards per hour from the average worker is not, in general, normally less by more than 5 per cent. Anyone who considers this statement must agree that it is entirely creditable and better than could be expected. The spirit and application of operative workers is, on the whole, excellent. Of course, there are industries where the decreases in output are much greater, for example, building, ship-

building, coal mining, and the heavier industries generally.

Since war began sickness rates in factories, which are not on the whole excessive, have perhaps doubled. Absenteeism is due more to faulty government organization than to any other cause, failure adequately to organize medical services and transport, and shopping facilities, and especially the excessive and unnecessary removal of labor from district to district.

Turning to skill, we find that training throughout the nation has been inadequate for the job to be done. Further, in far too many cases, people have been trained for a job and then taken off the job. Time and material have been wasted in re-training them. This more especially applies to women and arises partly from the inevitable changes in production at the present time. Nevertheless, people are being

put on jobs for which they are not suited. In general, from the top of the nation to the bottom the basic principles of good selection have not been observed.

Turning from application and skill to design, in general, it is still true that designs are not in accordance with the best production practice. This arises from a divorce of government designers from current best production practice. The government price fixing systems have tended to remove the value of the cost accountant, for, in general, he has no longer opportunity of using his figures for increasing efficiency.

The number of people employed in industry is now falling because of continued call-up. In many cases people who have endeavored to work beyond their strength are not able to continue. When there is shortage of labor and no spare available, there is a tendency for all organizations to keep labor adequate for peak load. Therefore, it follows, and inquiry shows it is the case,

Fleet Street, "Newspaper Row," in the heart of London, with the spire of St. Paul's Cathedral in the background. In the foreground is the steeple of St. Bride's Church.

that there are one or two million people in excess of requirements for the job they are doing. Most of them are, of course, in government service. In general, the figures of volume of munitions production published by the government are quite misleading, though doubtless true to those who understand all the qualifications.

The Ministry of Labor is carrying out admirable inquiries each half year on the state of earnings. Earnings of the average worker have increased by 65 per cent since 1938. It is probably true that there has been some increase in the proportion of the national income going to wage earners, say from 38 per cent to 40 per cent, but there have been such disturbances in the whole manner of life that the pictures of war and pre-war become difficult to compare. Salaries have decreased from 24 per cent to 19 per cent of the national income. Profits have increased from 28 per cent to 30 per cent.

As soon as a company pays Excess Profit Tax, which is on 100 per cent basis, every item of expense becomes a matter of expense to government, for, in effect, it comes out of Excess Profit Tax. There is no doubt that there are a large number of business men who are anxious that their overheads shall not go up, but they have lost their normal criterion of expense, namely, profits. When production is wanted at any price, then the normal checks go. They have not been replaced by checks of standard times of operation, standard volume of work, standard waste, and so on, as they ought to be. Apart from any who might not conceivably have the national interests close at heart, all those who have been brought up on a strictly commercial tradition are, nowadays, at a loss how to act.

Wage Increases Restrained

There has been a commendable restraint in holding back the income of the salaried classes; inquiries among the mass of well-organized concerns show that salaries have increased by, say, 22 per cent at four pounds per week, increasing to 10 per cent at 1,000 pounds a year. It is true the margin of variation at this higher range may be from 4 per cent to 20 per cent. This latter figure is the increase in the official cost of living. Directors' remuneration is especially checked by Inland Revenue officials.

In commercial quarters there has been a tendency to slacker control on



BRITISH COMBINE PHOTO

personal expenses, which, of course, incur no income tax, and these have risen substantially. At the present time, however, there is a tendency for the government to decrease the allowance of profit from 10 per cent to 7 per cent on government contracts, with some allowance, so it is said, for efficiency. There is an increasing tendency for government departments, in negotiating new contracts for munitions, to fix prices so that the company concerned cannot reach the Excess Profit Tax level. In spite of all statements by government departments to the contrary, the bulk of government contracts are, in effect, on a cost plus basis.

The government cost investigators check that a cost was actually incurred, but there is no attempt to check, in general, whether a cost is necessary or appropriate to the job to be done. On consumer articles generally, though, these days there are no bad stocks, no bad debts, and distribution costs are much reduced by zoning and standardization. Profits and margins to middlemen have been increased by direct government action. It is unlikely that the country will recover from these extra

distribution costs for many decades.

Wholesale prices of materials have increased by 65 per cent; coal by 58 per cent, steel by 42 per cent, cotton by 70 per cent, and tobacco by 71 per cent. The official Ministry of Labor cost-of-living index, which applies to the bulk of operative workers, is, at the present time, 29 per cent above 1939, food being 22 per cent, clothing 65 per cent, fuel and light 34 per cent, and other items 63 per cent. A recent announcement of the Board of Trade shows that whereas in July 1941 the money value per clothing coupon was 2.49 shillings, in September this year it had risen to 3.4 shillings. Women are tending to buy more overcoats and outer garments and fewer underclothes. In general, the Price of Goods Act is a dead letter, but doubtless it had some effect in its earliest days in restraining a big increase in prices.

The Ministry of Food has recently made an order for the labeling of food, so that the public shall be supplied with better qualities. There has been some trouble in utility clothing because of the bad quality of materials supplied. Shoes had fallen to bits very speedily.

Prices of non-food items, outside the official range, and as bought by those above the lowest wage levels, are about 250 compared with September 1939, 100. The volume of cash sales for retail department stores is at about 105 against September 1939, 100. It is probably true that the amount of consumer goods available is about 50-60 per cent of pre-war, and the personnel employed in department stores is probably of the same order, namely, 60 per cent.

Profits of the retail stores remain the same. Every one has sympathy with the many shopkeepers whose businesses have disappeared. Nevertheless, shopkeepers in general have not co-operated in their own interests, as the manpower available fell, nor have they helped in the problem of making shopping more easy for operatives in industry working long hours or on shifts. Much absenteeism and loss of time is due to this cause.

At the present time there is set for industry an aim of 5 per cent of the wage packet as savings for operative workers. This, illogically, is irrespective of the level of wages and whether wages are several times pre-war or not.

There has been no really honest attempt to assess the volume of savings by factory and district and to organize the savings efforts accordingly. There has, even so, been admirable endeavor in many quarters, but not on a really rational basis. Factory savings prove to be about 3 per cent although there are admirable concerns where the figure may be as high as 19.4 per cent for a six-months period. On the whole, the munition industries saved less than the industries less directly affected by war changes. When all essentials and semi-essentials have been bought, there is too wide a margin for inflatory and wasteful spending in ways inimical to the national well-being.

The three principal schemes which run through war organization of non-munition factories have been concentration, zoning, and sectoring. Concentration is the cutting out of a number of concerns or departments in a number of concerns and concentrating production in the remainder. It is designed to release labor and factory space. Zoning is designed to help transport. A given factory may only deliver within a given area. Sectoring

allows a consumer to buy from a limited number of factories.

The problem set by war is almost insoluble. Manpower was the first bottleneck—at first artificially created by the erection of factories far too large and in badly selected sites. Nevertheless, as armies grew and casualties occurred, it could be foreseen that shortage of manpower must prove the main bottleneck. Lack of factory space, materials, and transport soon raised urgent problems. Any one of these factors may be dominant from time to time in disorganizing an industrial situation.

Concentration Methods

Two quite different organizations, the Ministry of Food and the Board of Trade, have been responsible for most concentration schemes. The Ministry of Food has been reluctant to shut down any concern whatsoever. It adopted from an early date the principles of zoning and sectoring referred to above. In order to accomplish its purposes, it has caused to be formed a number of war-time associations such, for example, as the Soft Drinks Industry (War-time) Association, Ltd.

The Board of Trade has been much more drastic and has shut down many concerns. If companies would not play, then they did not get raw materials and they were not allowed to keep their labor. Thus, without need of any statute or published plan, they just had to fall into line. The benefits were, of course, that the nucleus concerns, that is, those which remained, were allowed to keep their labor, were given supplies, and obtained government orders. The remainder were compensated. Where they resisted, the factories were shut down with no compensation. There has been no adequate follow up as to how far the quarter million workers who were expected to be released have, in fact, been released, or how the 50,000,000 square feet of factory space has been utilized.

The following assortment of facts help to indicate still further facts of the industrial picture. The hosiery industry has 50 per cent greater output with one-third less people. At least one cracker factory, through standardization of lines and delivery solely to a limited area, has reduced its employees to a third, and yet is producing more than in peace. More crackers were made in war than in peace until re-

(Continued on page 24)



It's "Thumbs Up" to this British shipyard machine driller, responding to the call for ships and more ships in answer to Hitler's submarine campaign.

CONTRACT TERMINATION FINANCING

Authorized and Proposed Procedures

EDWARD M. TAYLOR¹

Chief, Contract Financing Unit,
Ordinance Department, War Department

AN important phase of the post-war problem² is the quick return to business of war-invested private working capital for use in reconversion and in peacetime production.

At the end of the war, cancellation will tie up \$15 billion of private working capital in special inventories, tools, and plants. To a limited extent, the spacing of cessation of hostilities in the various combat theaters may permit a normal tapering off of certain productions. However, over-all cancellation will be severe and will disrupt the current positions of most producers.

The settlement of a tremendous number of terminated contracts, with an undelivered value of \$50 to \$70 billion,³ will be an involved and time consuming task and even the most expeditious form or formula of settlement will offer little relief to the financially strained contractor.⁴ If a transition to a peacetime economy is to be accom-

plished with the utmost expedition and the least possible disruption of employment and income, working capital must be available to the cancelled producer under an adequate and timely financing program during the settlement interim at least.

It is believed that legislation will be required to formulate the financing procedure whereby the financial blow of curtailment is to be mitigated and overcome.

Adequate relief cannot be obtained under current procedures unless such procedures are liberalized. *Private* financing will be unavailable to organizations in the greatest need of assistance. Various factors, such as the liquidity of the company, the extent to which it has assumed war work, its position in the various tiers of production, the production time cycle of the peacetime product, and the post-war demand for the item will receive seri-

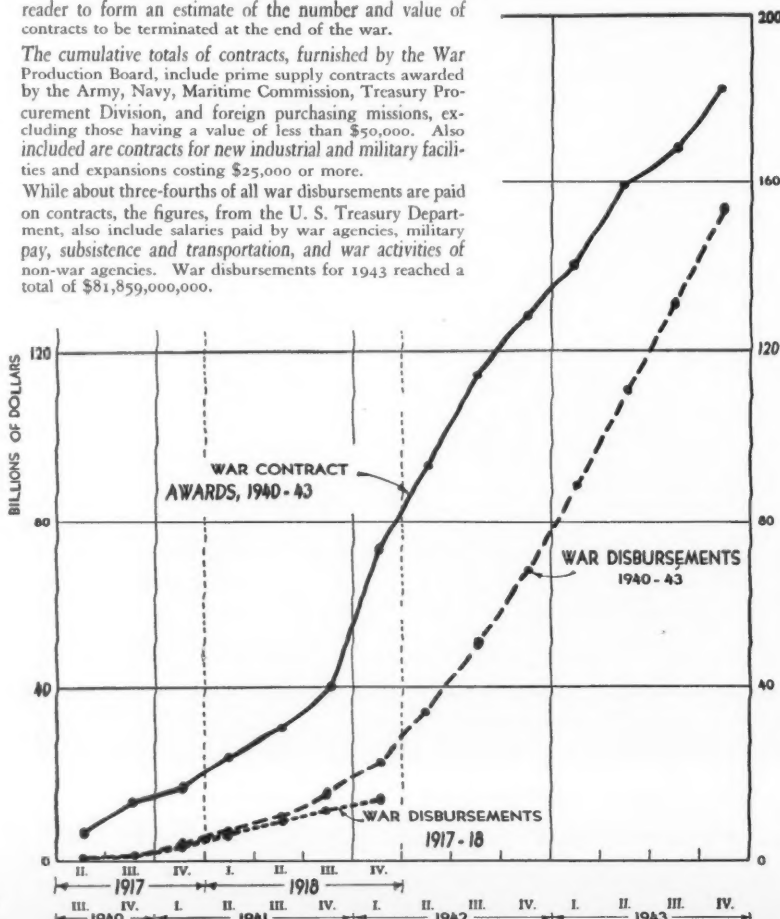
War Contract Awards and Disbursements

This chart, prepared by DUN'S REVIEW, reveals how much greater is the magnitude of war disbursements in World War II than in the first World War although in the early stages expenses were about the same. It compares in each case the period of all-out effort for the two war eras. Contract awards and disbursements are cumulative and plotted by quarter years.

The current totals include major contracts let from the beginning of the main war effort, including many already finished. The accompanying article not only provides information about the volume of current contracts and terminations, but will help the reader to form an estimate of the number and value of contracts to be terminated at the end of the war.

The cumulative totals of contracts, furnished by the War Production Board, include prime supply contracts awarded by the Army, Navy, Maritime Commission, Treasury Procurement Division, and foreign purchasing missions, excluding those having a value of less than \$50,000. Also included are contracts for new industrial and military facilities and expansions costing \$25,000 or more.

While about three-fourths of all war disbursements are paid on contracts, the figures, from the U. S. Treasury Department, also include salaries paid by war agencies, military pay, subsistence and transportation, and war activities of non-war agencies. War disbursements for 1943 reached a total of \$81,859,000,000.



¹ The writer is indebted to Col. Paul Cleveland and Lieut. Col. John S. Bachman, Chief and Assistant Chief, Advance Payment and Loan Branch, Special Financial Services Division, Office of the Fiscal Director, Army Service Forces, for valuable information, suggestions, and co-operation.

² Spearheading the establishing of post-war plans for business are the Committee for Economic Development, the National Planning Association, the United States Chamber of Commerce, the Automotive Council for War Production, and the National Association of Manufacturers.

³ It is estimated that procurement contracts, including \$15.9 billion in war industrial facilities, presently total about \$170 billion. Supply contracts for procurement items exceed \$140 billion. Estimated from State Distribution of War Supply and Facility Contracts cumulative through September 1943, War Production Board, Statistics Division, November 10, 1943 and Advance Release, Office of War Information, War Production Board, (WPB-3900, X17048), June 30, 1943.

⁴ Under Secretary of War Patterson recently indicated to the House Military Affairs Committee that the War Department alone has more than 100,000 prime contracts of sufficient size and complication to present real cancellation problems and that "there are at least 1,000,000 relatively large subcontracts." Mr. Patterson further stated that the current adjustments in contracts already are extensive and that, as of August 31, 1943, the War Department had completely or partially cancelled 8,520 contracts. He indicated that the uncompleted portion of these contracts totalled \$5,800,000,000 and that "this is nearly \$2,000,000,000 more than the total amount of the uncompleted portion of all the contracts terminated at the end of the first World War."

In current cancellations, inventories of many classes of raw materials and common parts can be used by the contractor in manufacture on other Government or essential civilian orders, or liquidated by sale to other war contractors, or to the Government. Claims currently settled, if presented after the Armistice, would be considerably higher than those settled within the preceding months. The present usefulness of many classes of inventories and the fact that a substantial number of terminations are attributable to substitutions of items being manufactured, changes in specifications, and reduction in production volume result in a reduction of the size of the claims against the Government for termination of current contracts.



HARRIS & EWING PHOTOGRAPH

ous consideration from private institutions. Generally, loans on inflated inventories will be too uncertain to justify the risk of depositor funds. *Public financing*, unless liberalized by amended regulation or legislation, will not be available for pure termination financing.

Termination financing legislation was proposed to Congress by various Government agencies in June of 1943. A War Department sponsored bill (H.R. 3022), introduced by Mr. May, sought authority to make advance payments and partial payments to prime contractors and first tier subcontractors immediately upon the termination of a contract, and, to the extent that such payments did not afford substantial relief, to arrange for temporary financing through the media of direct loans and guaranteed loans to prime contractors and to subcontractors at any level.

A Senate bill (S. 1268), supported by the War Production Board, provided for expeditious payment of 75 per cent of the amounts certified by contractors and/or subcontractors to be due as termination costs, and for the exemption of such payments from any setoff or counter-claim existing in the Govern-

ment against the contractor. Both bills provided that all payments in excess of amounts finally determined as due were to be treated as loans. In October, another interim financing bill (Senate Bill 1470; companion House Bill 3509) was introduced to Congress by Senator Murray in the form of legislation designed to require the Smaller War Plants Corporation to grant loans to ease the financial problems of smaller concerns whose war contracts were terminated by the Government.

It is believed that early this year an adequate termination financing procedure will be formulated through legislation and administrative regulation. Although hearings on the above-mentioned bills disclosed considerable differences of opinion as to the basis on which such financing is to be made available, it is accepted that legislation probably will extend existing financing machinery and procedure to termination financing and liberalize existing policies.

The financial position and problems of cancelled contractors will not lend themselves to any one uniform financing procedure. Fortunately, war production advance payment and loan

procedures have been formulated on the basis of this premise and are readily adaptable to the termination financing of diversified business structures.

The great dollar burden of termination financing probably will be carried by the V and V-T guaranteed loan programs, as supplemented or supplanted by a T (pure termination) loan procedure. Prime contractors, regardless of financial condition, may receive substantial assistance through advance payment and liberalized partial payment programs. Direct Government loans particularly will be conducive to the financing of the weaker facilities whose work is related primarily to subcontract manufacture.

Once an expression of Congressional policy on the subject is forthcoming, the problem will be that of shaping existing production financing machinery into termination financing procedures. It is believed that amendment could be made with a minimum change of regulation and procedure and re-education of personnel, both public and private.

Advance payments⁵ are loans by the procurement agencies to prime contractors to supply working capital for production on particular prime contracts or groups of prime contracts. Advance payments are made under the authority of Executive Order 9001⁶ issued by the President pursuant to the First War Powers Act⁷. The Executive Order authorizes the War Department, the Navy Department, and the Maritime Commission to make advances to prime contractors without regard to any provision of law relating to the making, performance, amendment, and modification of contracts. The exercise of the authority delegated, however, is dependent upon a finding that the advance will facilitate the prosecution of the war.

No accurate estimate is available of the dollar value of advance payments authorized by all agencies. Of interest, however, is the fact that advances actually passed on to borrowers by the War Department, from the inception of the program in the latter part of 1941 to November 1943, exceeded \$4.8 billion of which all but \$1.7 billion has been repaid.

Advance payments alleviate the fi-

⁵ Advance payments of public moneys generally have been prohibited by statute (R.S. 3648; 31 U.S.C. 520).

⁶ December 27, 1941 (6 F.R. 6787).

⁷ Public Law 354, 77th Congress, December 18, 1941; Public Law 703, 76th Congress, July 2, 1940.

nancial hardships of cancellation in those cases where advance payments have been obtained prior to termination. The advance is not called for payment until termination costs are settled. Further, interest stops running from issuance of notice of termination.

When a contract is *terminated* (as distinguished from partial cancellation) the special bank account, into which the advance and other payments are deposited, becomes Government controlled in all cases.

Withdrawals are permitted for costs which are classified as reimbursable under the termination article to the extent that such withdrawals will not prejudice the recovery of outstanding advance payments. If a procurement agency, for economy because of stage of completion and need for a limited number of the items curtailed, permits a contractor to complete the manufacture of a number of the items originally scheduled, advances are drawn down in amounts necessary to finance manufacture or fabrication to completion.

When a contract is *curtailed* (partially terminated) contractors are assisted by the policy of the War Department that, until advance payments are in jeopardy, the right which the Government has under the contract to "pullback"⁸ advances will not be exercised. However, after the contractor has a reasonable time in which to prepare a revised budget, excessive advances either must be returned to the Government or an agreement executed, if financial position or production ability so justifies, increasing the advance payment authorization.

Withdrawals Permitted

Upon curtailment, the special account is not further restricted and withdrawals are permitted for working capital purposes to the extent that such withdrawals are required to finance that portion of the items originally scheduled which have not been cancelled. In extreme hardship cases, funds in the special account may also be used to assist the contractor in releasing private capital tied up in inven-

⁸ Advances are authorized by the execution of an advance payment article containing a dollar limitation on the maximum permissible advance. In addition to the dollar limitation, the article contains a percentage limitation. The article provides that the advance shall not exceed the dollar amount or a fixed percentage of the contract price, as it may be amended, whichever is the smaller. If the amount of the contract is reduced, the authorized (permissible) advance is automatically reduced in proportion. Upon curtailment, therefore, outstanding advances probably will exceed authorized advances. By authority of Fiscal Circular No. 89, Headquarters, Services of Supply, November 26, 1942, contractors are permitted to use the excess during the preparation of a new revised budget.

tories related to the cancelled portion of the contract.

When advance payments are outstanding on either a cancelled or curtailed contract, all payments to which a contractor is entitled are *subject* to the setoff of unliquidated advances. With certain exceptions involving assignments under the "Assignment of Claims Act," the payments subject to setoff include the payments to which a contractor is entitled on his other contracts with the service concerned, or with other services or procurement agencies.

Upon termination, withdrawals from the advance payment special account generally are limited to withdrawals for material and labor commitments. The limitation may be a temporary one. The War Department presently is considering the feasibility of permitting withdrawals for payments of overhead and indirect expenses, attributable to the contract, which were incurred prior to termination.

If it is determined that control and audit of such withdrawals are not prohibitively burdensome, advance payments may well be authorized in many cases where termination is *contemplated*. As the use of advance payments is limited to war production working capital purposes by statute, the advance payment agreement must be executed prior to service of notice of termination—i.e., while the contract is on a going basis. Once advance payments are authorized, the provisions of the termination article of the contract automatically attach and advances used to finance a contractor's termination costs become "payments under the terms of the contract."

Although advance payments must be authorized for working capital financing of a particular prime contract *before* termination costs may be financed therefrom, legislation may permit the execution of an advance payment authorization *after* the issuance of a notice of termination.

Partial payments are payments on account of total amounts owing contractors in connection with termination settlements, and are distinguished from partial payments for work performed under a going contract. The authorization of partial payments was made concomitantly with, and as a corollary of, the authorization of negotiated settlement of termination claims. Contractual expression of the authority is found in the standard termination

articles for fixed price supply contracts and lump sum construction contracts presently in use in the War Department.

Partial payments are made by War Department contracting officers on the basis of such evidence as they deem proper under the circumstances. However, the contracting officer must be satisfied that the amount of the partial payment is clearly due the contractor and within an amount which would be paid on final settlement. Otherwise, in the opinion of the General Accounting Office, the disbursing officer may be personally liable for any overpayments made.

Payments to Subcontractors

Existing partial payment procedure offers some relief to subcontractors, inasmuch as partial payments may be made to subcontractors through the prime contractor.⁹ The determination of the amount of the partial payment to be made to a subcontractor is made by the prime contractor upon review of the subcontractor's statement of termination charges. Subcontractor statements are checked by Government accounting personnel to the extent deemed necessary under the circumstances for the protection of the Government's interests.

Partial payments have been only of limited assistance to the currently terminated contractor. Although the Army Procurement Regulations indicate that a minimum partial payment may be ascertained fairly promptly and without exhaustive audit, actual experience has shown that contracting officers are reluctant to make substantial partial payments of contractors' or sub-

⁹ Although the War Department may not make partial payments to subcontractors under existing regulation, it may make partial payments to subcontractors through prime contractors, either as payments to a prime for payments to subcontractors, or to enable the contractor to make payments to subcontractors, or as payments to a prime in trust for subcontractors. Partial payments may be made to a prime contractor for the benefit of a specific second tier or even more remote subcontractor or supplier.

Regulations do not permit direct payments to subcontractors inasmuch as there is no direct contractual relationship between the Government and the subcontractor. Further, the administrative difficulties in attempting to deal directly with subcontractors (except by guarantees of loans to subcontractors) probably would delay the settlement of terminated contractors. There is no assurance that the setoffs and counter-claims existing in a prime contractor or intermediate subcontractors against the "recipient" of such payments would be taken into account in making the direct payment, and, further, there is no assurance that the amounts of any partial payment made directly to subcontractors would be taken into account in determining the amount finally due the prime contractor.

Administratively, the Government, in working out partial payments to subcontractors, may protect itself by requiring the execution of an agreement by the Government, the prime contractor, the recipient subcontractor, and all intermediate subcontractors, under which the parties agree that the payment may be made, that it is clearly within the amount owing, that the parties will warrant that no setoffs or counter-claims are outstanding against the recipient subcontractor, and that the parties will give releases for the benefit of the Government to the extent of the payment made, and will seek no further reimbursement of the amount in question.

contractors' termination costs without proof and an informed judgment as to the amount owing. Partial payments, though not full settlement payments, are final payments for a portion of the total settlement payment. A contracting officer, therefore, notwithstanding the broad discretion vested in him by the Procurement Regulations, generally will not authorize a partial payment until his accounting personnel can assure him that the contractor's statement of inventory, work in progress, and costs relating to the contract justify at least the amount of the partial payment.

It is believed that partial payments, although presently an accounting-legal procedure, could be an effective termination financing procedure if liberalized by regulation or law. The inevitable caution on the part of the contracting officers would be eliminated completely in many cases if the procurement agencies would authorize conditional partial payments (in addition to advance payments and strict partial payments) as a termination financing procedure. Such conditional payments could be authorized and made under the same safeguards as are required in advance payments.

The advantage of conditional partial payments is best illustrated when partial payments are compared with advance payments. The standard on which an advance payment may be made is fixed and certain, *i.e.*, the contract price; there is no fixed criterion on which a partial payment may be based. Advance payments are recapiturable; partial payments are final. Many advances are authorized subject to the execution of security instruments

and strict supervision and control; partial payments involve the determination of the amount and propriety of the contractor's termination costs. In addition, the priority of the Government's obligations over unsecured creditors in the event of the borrower's insolvency is a strengthening factor in advance payments.

Congressional Action

Procurement agencies may be reluctant to authorize conditional partial payments without an expression of policy from Congress on the subject, regardless of the legality of the procedure under existing law and delegation. If appropriate legislation is enacted, partial payments probably will be authorized in the form of a combination payment-loan. Under such procedures, contracting officers could readily make partial payments on the strength of the contractor's termination claim, or on the strength of such other security as may be required. The supplemental agreement under which the partial payment would be authorized could include a provision that, in the event the payments exceed amounts finally determined as due, the excess would be treated as a loan.

Conditional partial payments and partial payment-loans could be authorized by regulation and law up to something less than 100 per cent of the amounts which the agency estimates are due a contractor or subcontractor upon termination, and/or the whole of amounts finally determined to be due. Strict partial payments should be available in addition to the quasi-loan procedure for use in those cases where the

"loan" feature of the interim payment may be objectionable to a contractor.

V-loans¹⁰ enable contractors and subcontractors to obtain loans from financing institutions on the strength of guarantees by the various procurement agencies. In executing the guaranty, the Federal Reserve banks act as the fiscal agents of the particular procurement agency having the greatest interest on the basis of the dollar value of contracts. The guarantee agreement requires the procurement agency to purchase a specified percentage of the loan from the financing institution on the latter's request. It essentially is a deferred participation agreement, plus a guarantee against loss.¹¹

Relief from the financial blow of curtailment is found in the moratorium provisions of the standard forms of guarantee agreements under Regulation V. In the event the dollar value of the borrower's terminated contracts exceeds 25 per cent of the borrower's war business, the borrower is fully relieved of obligation to repay interest or principal on the suspended portion of the loan until the contractor is reimbursed for cancellation costs. The Government pays interest less the guarantee fee (but not to exceed 2½ per cent in the aggregate) if the suspended portion

¹⁰ Entered into under authority of Executive Order 9112 of March 26, 1942, issued pursuant to Section 201 of Title II of the First War Powers Act, 1941.

¹¹ Congress has appropriated funds for the purpose under Section 202, Sixth Supplemental National Defense Appropriation Act, 1942, April 28, 1942, 56 Stat. 233; Section 114, Naval Appropriation Act, 1944, June 26, 1943, 57 Stat. 216. For further authority see Section 7, Small Business Mobilization for War Purposes Act, June 11, 1942, 56 Stat. 355.

¹² As of November 1943, V-loans authorized since March of 1942 by the War Department, Navy Department, and Maritime Commission totalled \$5,546,555,000. The three agencies have authorized a total of 4,948 loans under approval and delegated authority. Federal Reserve Bulletin, December 1943.



of the loan continues to be held by the bank. Under this arrangement the forced liquidation of inventory during a period of possibly declining prices is unnecessary.

During this period, so absolutely critical to the contractor, whether a prime contractor or a subcontractor, no call is made by the lending bank or banks on the working capital of the manufacturer to liquidate a part of the obligation roughly proportional to the amount required to finance the contracts now cancelled.

In addition to the relief to the contractor through deferment of maturity of a prorated portion of the loan and interest charge, it may be noted that the loan may be used for over-all working capital financing of receivables, inventories, work in process, and accounts and claims paid or immediately payable to subcontractors. Since the inception of the guaranteed loan program the War Department has permitted some extensions of credit for termination financing as an incident to production loans. A number of existing V loans provide for continuance of credit lines upon termination within the limits of specified percentages of the borrower's investment in terminated contracts.

V-T Loan Plan

Recently, pursuant to existing legislation and Executive Order 9112, the procurement agencies have authorized the so-called V-T type of loan, a loan which also permits a contractor, *whose war work is still proceeding*, to obtain a banking commitment for a Government guaranteed loan both for war production working capital purposes and for financing during the interim between cancellation and final settlement.¹²

Under the V-T loan, the amount of the credit to be available for cancellation may be predicated on the total war production inventories, work in progress, and accounts receivable, attributable to both cancelled and uncanceled contracts. In addition, the credit may be predicated upon settlements which

the contractor has to make of subcontractor's claims on cancelled contracts (without overlap with inventories and receivables). In such cases the terms of the loan generally provide that the borrower must turn the money over to his subcontractors promptly upon withdrawal for subcontract settlement.

The prevailing rules for V-T guarantees provide for a Government guarantee to the lending banks up to 90 per cent of any loans made thereunder, and, on sums borrowed, an interest rate not to exceed 5 per cent.

The contractor usually will be required by the bank to pay a commitment fee during the period this credit line is maintained, which may run up to a half of one per cent on the unused portion of the credit. Although contractors can open the line after cancellation of a particular contract or group of contracts, it must be remembered that to qualify for a loan, contractors must have production contracts outstanding at time of application.

Upon termination notice, the loan may be suspended in proportion to the ratio of cancelled contracts to total contract backlog at time of termination, the Government paying up to 2½ per cent interest to the bank on the suspended portion of the loan.

The rules authorizing V-T loans do not prescribe any breakdown between a portion of the loan committed for "borrowed working capital" and the portion committed for freeing the borrower's own working capital upon cancellation of his war production contracts. It is intended that the parties will agree upon an over-all credit, and it is further intended that the maximum amounts which may be drawn down for both purposes may be divided between the two purposes, in accordance with the borrower's requirements.

Neither V loans nor V-T loans are available to contractors solely as a hedge against terminations. Guaranteed V loans are not available to contractors with ample working capital. Such contractors may obtain V-T loans, but at least a portion of the funds to be provided under a V-T loan must be available for the financing of war production contracts. In V-T loans the amount of credit that may be drawn down at one time is limited by formula, as well as by a specified maximum dollar amount, but the maximum size of the credit to be agreed upon is, for all practical purposes, unlimited. In V loans the size of the credit is more

nearly limited to production needs.

The relief afforded contractors by the guaranteed loan program is, in and of itself, not sufficient to answer the needs of all contractors for financial assistance upon termination. The financially weak contractor will be unable to obtain a V-T loan (because of the requirement of at least 10 per cent bank participation) and may in very weak cases be unable to obtain a V loan with a formula adapted to termination needs. The extent to which V-T loans are available will depend primarily upon the strength of financial position.

Aid to Weaker Contractors

At the present time the V-T loan is relatively complicated, inasmuch as the loan proceeds must be usable for production as well as termination. Although current authorizations of commitments for pure T loans would be legal, the procurement agencies have delayed the issuance of T authorizations until such time as an expression of Congressional policy is forthcoming. The adoption of legislation to authorize T financing may enable procurement agencies to authorize V-T and T financing to the weaker facilities with some degree of liberality, and should encourage simplification of procedure and agreements.

A terminated contractor, who is both a prime contractor and a subcontractor at various tiers and whose financial position would not justify any bank participation in a loan guaranteed by the procurement agencies, can only receive adequate interim financing through the medium of a direct loan by the Government. Although guaranteed loans, on either a V-T or T basis, will finance the great dollar volume of termination costs, adequate termination financing of all producers can be realized only if the guaranteed loan program is supplemented by direct loans by the procurement agencies through existing decentralized production financing machinery. Direct termination loans have been considered by Congressional committees and, in hearings at least, apparently have received favorable consideration. Under H.R. 3022, it has been suggested that the War Department, the Navy Department, the Maritime Commission, and the Treasury Department be authorized to make such loans. Inasmuch as the procedure under which direct

(Continued on page 33)

¹² From June of 1943 until the promulgation of the V-T loan procedure, contractors had been more and more frequently expressing the fear that working capital would be tied up as contracts were cancelled. The fears of industry occasionally were evidenced by a reluctance to assume work under new and revised programs. In order to prevent industry's concern over potentially unliquid aspects pregnant in current production, which potentially at least are subject to daily change, from causing a lag in war production, it was necessary for the procurement agencies to alleviate such fears by a concrete expression of policy, announced jointly by the War and Navy Departments, Maritime Commission, and the Federal Reserve Board on September 1, 1943.

¹³ Weak credits which cannot qualify for a V-T loan can get equal protection under a V loan using a V-T type formula.

THE TREND OF BUSINESS

SUMMARY: Industrial output is well maintained. Inventories were off slightly in durable goods lines; non-durable inventories rose. Heavy November shopping reduced December's share of a record two months' retail volume. Stock prices and volume increased moderately.

INDUSTRIAL production was well maintained in November at the record high of 247 per cent of the 1935-1939 average, unchanged from October and 2 points above September, as output of war products moved steadily upward. Production exceeds last year's totals by a wide margin and is about 41 per cent above the November 1941 figure. For the eleven months of 1943, total output increased 21 per cent over the comparable period of last year.

Machinery and transportation equipment output increased again in November, while steel production dropped 6 per cent below the October peak; the result of some cutbacks in war orders for certain kinds of steel products. November steel output averaged 1,714,878 tons per week.

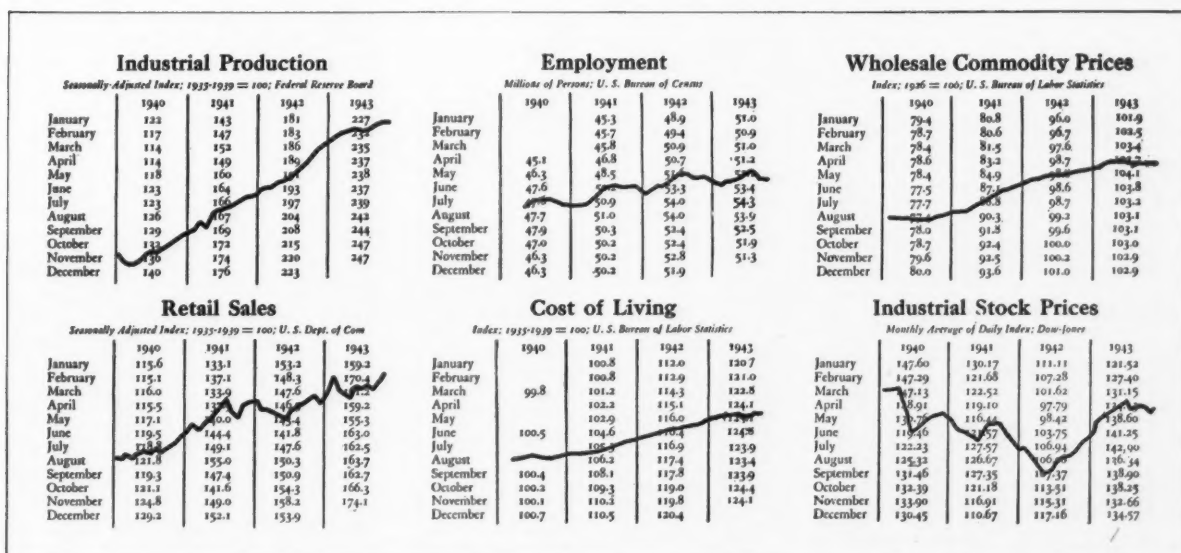
The high rate of activity in war production was reflected in the increase in munitions output in November. Munitions production was more than 6½ times the November 1941 rate and 3 per cent above October of this year. November plane output was at a peak

level with 8,789 aircrafts produced and the December figure may exceed 9,000. Output of planes, ships, trucks, heavy construction machinery, and signal equipment continues to expand as that of smaller arms falls off. Some cutbacks in small arms ammunition output caused a decrease in the month, while a gain of 6 per cent was registered for aircraft, and ships were up 4 per cent, guns up 3 per cent, communications and electronic equipment up 6 per cent, and combat and motor vehicles up 1 per cent. Output of aluminum, the second most vital metal for war purposes, has increased 463 per cent over 1939.

Lack of labor is having a delaying effect on civilian goods output. Climbing costs and "frozen" prices have likewise been a hindrance to furniture production. While more wool was available to meet civilian requirements, the drop in military output kept woolen mills at approximately the same rate of activity as a month earlier. In food lines meat production showed the largest increase.

Inventories—The cautiousness which war industries are now displaying has had an effect on the inventory picture. Stocks of durable goods industries declined 1 per cent during October after reaching a peak at the end of the previous month. But inventories of the non-durable goods industries rose 2 per cent during October, the fourth successive increase. The greatest gain was made in the food lines, while paper and products industries registered a decline. Manufacturers' shipments in October increased 3 per cent over September, a record high. War industries' shipments were responsible for the 5 per cent rise in durable goods industries. Non-durable goods industries also witnessed an increase in October, about 3 per cent above the previous month, with food, paper, and petroleum refining manufacturers registering the largest increases.

Employment—The high rate of manufacturing employment follows closely the course of industrial activity. The total number of employees in

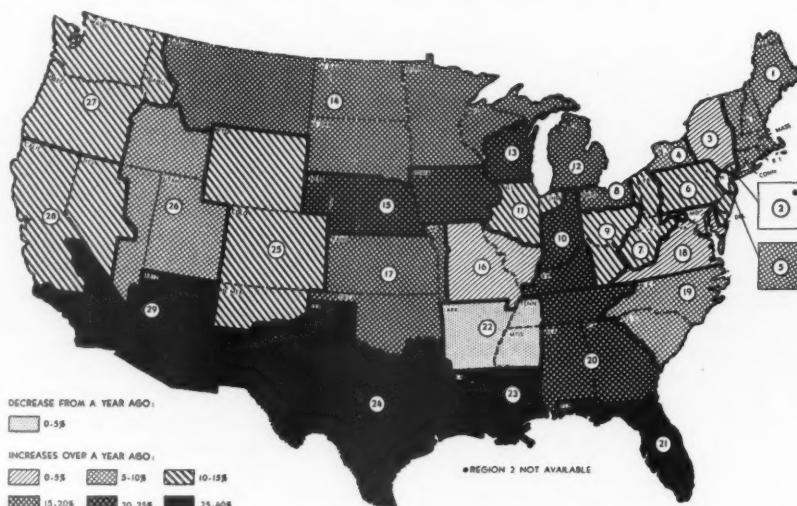


TRADE REPORTS FROM TWENTY-NINE REGIONS

Barometers compiled by L. D. H. Weld, Director of Research, McCann-Erickson, Inc.

THIS information on regional trade activity is based upon comments of business men, gathered and weighed by local DUN & BRADSTREET offices. More detailed data, formerly in DUN'S REVIEW, are now available in DUN'S STATISTICAL REVIEW; a change necessitated by paper limitations. Payroll, employment, and farm income figures are from Government sources.

The barometers used below are adjusted for seasonal variation; the monthly average for the years 1928-1932 inclusive equals 100. Both adjusted and unadjusted barometers may be obtained in advance of publication by special arrangements with the editors.



Oct. 1943	Change from Oct. '42	Change from Sept. '43	HIGHLIGHTS OF TRADE ACTIVITY
	%	%	
UNITED STATES			
145.0	+14.4	-8.3	Adjusted index dropped from high of previous month, but remained well above October 1942. Thirteen regions had yearly gains larger than nation; 16 were less.
1. NEW ENGLAND			
107.5	+5.9	-17.4	Monthly barometer registers greatest decline in nation; yearly increase small. Employment in manufacturing industries continues above last year; payroll gains also up.
2. NEW YORK CITY			
Index is unavailable.			
3. ALBANY, SYRACUSE			
133.3	+0.7	-4.8	Industrial employment gains levelling off. Milk production below October 1941 and 1942, but above previous years. Farm income gain in September small compared with country.
4. BUFFALO, ROCHESTER			
129.3	+5.8	+2.2	Industrial production maintained at high level; steel output dropped temporarily but monthly average remained high. Barometer monthly gain greater than national rise.
5. NORTHERN NEW JERSEY			
119.7	+6.9	-6.0	Small monthly barometer decline; yearly gain considerably below country increase. Union County registers 9% increase in industrial employment over 1942; payrolls up 23%.
6. PHILADELPHIA			
120.0	+11.4	-13.5	Industrial employment in most cities above 1942. Philadelphia steel production maintained at about 94% of capacity. Large monthly decline pulls barometer change below nation.
7. PITTSBURGH			
136.8	+13.5	-8.3	Industrial production in Pennsylvania continued upward as employment and payrolls were maintained at levels above 1942. Wholesale trade in most cities 5 to 10% above 1942.
8. CLEVELAND			
179.0	+16.2	+4.3	Second largest monthly barometer increase in nation registered here. Ohio farm income in September 10% above last year. Employment and payroll gains over 1942 remain high.
9. CINCINNATI, COLUMBUS			
175.7	+14.5	-5.8	Industrial employment in major cities up 10 to 15% above a year ago. Yearly barometer gain even with country increase. Soybean harvest slightly below 1942's bumper crop.
10. INDIANAPOLIS, LOUISVILLE			
211.0	+21.3	+2.4	Slight increase in monthly barometer in contrast to national decline. Corn, soybean, and potato yields better than expected. Industrial employment continues to boom.
11. CHICAGO			
129.3	+13.1	-10.3	Illinois farm income in September 24% above last year. Corn crop good despite damage in some parts by frosts. Over-all retail trading declined from previous month.
12. DETROIT			
195.2	+19.6	+0.3	Fractional gain in monthly barometer; yearly increase larger than national. Potato and onion crops good; supply of latter somewhat short. Industrial employment remains over 1942.
13. MILWAUKEE			
172.5	+23.2	-10.3	Wisconsin farm income gain in September somewhat larger than country increase. Milk production down slightly from 1942 output. Retailing fell below previous month, but over 1942.
14. MINNEAPOLIS, ST. PAUL			
152.7	+19.7	-2.5	September farm income gains large; up 63% in North Dakota, 33% in Montana, 30% in South Dakota, 15% in Minnesota. Decline in monthly barometer smaller than national drop.

Oct. 1943	Change from Oct. '42	Change from Sept. '43	HIGHLIGHTS OF TRADE ACTIVITY
	%	%	
15. IOWA, NEBRASKA			
146.5	+22.1	-5.2	Small decline in monthly barometer; yearly rise high. Nebraska department stores in November record excellent gains over 1942. Corn and milk output above high levels of 1942.
16. ST. LOUIS			
145.2	+3.9	+5.4	Greatest monthly barometer increase here; yearly gain one of smallest. Winter wheat crop progressing favorably. St. Louis steel rate average 109% in November.
17. KANSAS CITY			
160.9	+19.1	-3.4	Kansas farm income in September registered third largest decline in nation, Oklahoma off slightly. Industrial employment index high, Oklahoma City almost triple 1942.
18. MARYLAND, VIRGINIA			
176.0	+4.1	-13.3	Large gains in farm income during September. Roanoke apple crop reported less than normal; peanut crop slightly above 1942 output. Industrial employment gains narrowing.
19. NORTH, SOUTH CAROLINA			
183.3	+6.0	-15.2	Second greatest monthly barometer decline here; yearly gain small. Dry weather hampers crop production. Retail trade in South Carolina records good gains. Industrial employment high.
20. ATLANTA, BIRMINGHAM			
209.8	+23.5	-13.2	Wholesale trade records good gains. Georgia farm income in September up 22%. Alabama up 10%. Tennessee off 8%. Barometer declined in month; remained well above 1942.
21. FLORIDA			
289.0	+39.5	-3.1	Barometer continues to record favorable monthly and yearly comparisons with country. Orange crop estimated better than 1942. Industrial employment continues high.
22. MEMPHIS			
177.5	-1.8	-11.5	Monthly barometer decrease larger than nation; yearly decrease in contrast to definite country rise. Drought lowered yield of most crops. Industrial employment gain over 1942 large.
23. NEW ORLEANS			
171.6	+26.5	-10.4	Despite poor monthly barometer showing, yearly gain continues outstanding. Louisiana farm income gain in September almost double country rise, Mississippi off 4%.
24. TEXAS			
218.5	+33.5	-8.8	Cotton yield good but below 1942 due to dry weather. Industrial employment gains continue high. New synthetic rubber plant, opened near Houston, boosts employment.
25. DENVER			
185.2	+13.3	+4.0	Barometer recorded one of few monthly gains; yearly rise small. Dry weather limited winter pasturage. Farm income gain in September high. Fruit and vegetable crops excellent.
26. SALT LAKE CITY			
178.9	+8.5	-8.2	Utah farm income in September 34% above 1942; Idaho about even with country, up 13%. Industrial employment in Salt Lake City declined slightly in month, but above 1942.
27. PORTLAND, SEATTLE			
190.1	+11.2	-2.0	Wholesaling in most cities records excellent gains over 1942. Industrial employment gains over last year narrowing. Yield of most crops excellent; apple and wheat off.
28. SAN FRANCISCO			
159.5	+13.4	-3.0	Crop conditions good; heavy frosts, however, damaged tomatoes in Sacramento area. California farm income in September up 33%. Industrial employment and payrolls high.
29. LOS ANGELES			
165.5	+31.4	+1.8	Monthly barometer increased in contrast to country; yearly gain one of largest. Industrial employment in Los Angeles area records good gains. California crude oil output above 1942.

manufacturing industries and the trade branches increased, although total non-agricultural employment dropped off again in November. The larger than usual upswing in retail buying during November was responsible for the rise in the retail division employment figure. In durable goods lines the automobile industry registered the largest increase. The seasonal abatement in the canning industry helped to bring down the food group total and was a contributing factor in the decline in employment in the non-durable goods group. The drop in the number of employees in the chemical industries can be attributed to the curtailment in output of small arms ammunition. An increase in working hours expanded munitions production.

The manpower situation has slackened in some labor shortage areas. The cancellations of war contracts is, however, of a local nature and does not materially change the national labor picture.

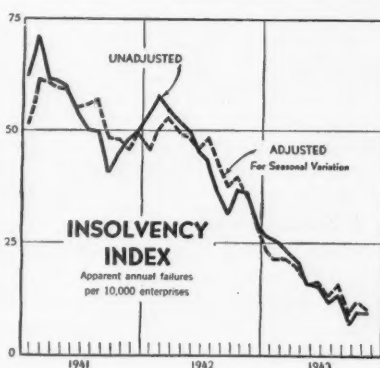
Income—While employment increased, total income payments to individuals fell from the all-time peak of \$17,741,000,000 in October—attributed to the greater than seasonal rise in agricultural income—to \$12,420,000,000 in November. In spite of this decline in the month, payments stood 16 per cent over last year. Consumer expenditures, reflecting partially the continued increases in manufacturing payrolls, mounted again during October and November, against a slight decline in the cost of living and a steadiness in retail prices.

Retailing—The early retail buying of holiday merchandise in November was heavy; total retail sales gain for that month was 13 per cent over 1942. December failed to record the same high gains with several of the larger cities not equalling 1942 figures. In dollars retail volume from November 1 to Christmas was between 5 per cent and 10 per cent above the same period of 1942, preliminary reports now indicate. Apparel "promoted" as an especially suitable gift this year continued as the leader in Christmas sales. Food purchases failed to reflect the same gain, but slightly better sales comparisons came from neighborhood stores principally in smaller towns and from rural areas. Retailers were well stocked to meet the Christmas rush, and after the holiday season, while inven-

SIGNIFICANT INDICATORS

COMPILED BY THE PUBLISHERS OF "DUN'S REVIEW"

More detailed figures appear in DUN'S STATISTICAL REVIEW.



INSOLVENCY INDEX

	Nov. 1943	Oct. 1943	Nov. 1942	Per Cent Change
DUN'S INSOLVENCY INDEX*				
Unadjusted	9.9	9.0	36.5	-73
Adjusted, seasonally ..	9.7	10.6	34.8	-72
NUMBER OF FAILURES....	155	169	585	-74
NUMBER BY SIZE OF DEBT				
Under \$5,000	74	74	319	-77
\$5,000-\$25,000	59	69	228	-74
\$25,000-\$100,000	17	20	34	-50
\$100,000 and over.....	5	6	4	+25
(Liabilities in thousands)				
CURRENT LIABILITIES....	\$2,402	\$3,785	\$5,245	-54
TOTAL LIABILITIES.....	\$2,402	\$4,030	\$5,345	-55

*Apparent annual failures per 10,000 enterprises.

FAILURES BY DIVISIONS OF INDUSTRY

(Current liabilities in thousands of dollars)	(Number)		(Liabilities)	
	Jan.-Nov. 1943	Jan.-Nov. 1942	Jan.-Nov. 1943	Jan.-Nov. 1942
MINING, MANUFACTURING....	1,419	18,220	29,203	
Mining—Coal, Oil, Misc....	26	46	1,002	2,208
Food and Kindred Products...	75	263	2,435	6,444
Textile Products, Apparel...	83	271	3,275	4,603
Lumber, Lumber Products...	63	160	1,630	3,241
Paper, Printing, Publishing...	82	180	2,250	3,558
Chemicals, Allied Products...	27	61	472	1,066
Leather, Leather Products...	8	47	242	774
Stone, Clay, Glass Products...	20	41	411	891
Iron, Steel, and Products...	27	50	1,132	1,271
Machinery	52	66	4,607	1,260
Transportation Equipment...	10	27	705	605
Miscellaneous	66	207	1,059	3,192
WHOLESALE TRADE.....	241	716	2,801	10,836
Food and Farm Products...	89	279	1,099	3,081
Apparel	11	25	63	289
Dry Goods.....	8	25	62	370
Lumber, Bldg. Mats., Hdwr...	24	73	410	1,584
Chemicals and Drugs.....	7	29	51	535
Motor Vehicles, Equipment...	6	35	51	267
Miscellaneous	96	251	1,195	3,810
RETAIL TRADE.....	1,693	5,582	12,161	38,029
Food and Liquor.....	480	1,744	2,134	8,058
General Merchandise.....	61	233	305	1,937
Apparel and Accessories....	149	599	1,006	4,829
Furniture, Furnishings....	87	342	649	2,788
Lumber, Bldg. Mats., Hdwr...	95	268	728	2,394
Automotive Group.....	108	459	861	3,626
Eating, Drinking Places....	428	1,000	4,331	8,427
Drug Stores.....	116	432	745	2,997
Miscellaneous	169	593	1,402	2,973
CONSTRUCTION.....	397	701	5,208	9,043
General Bldg. Contractors...	123	232	3,194	5,060
Building Sub-contractors...	240	459	1,846	4,354
Other Contractors.....	6	19	168	439
COMMERCIAL SERVICE.....	224	481	4,804	6,702
Highway Transportation...	49	146	1,246	2,838
Misc. Public Services.....	8	12	1,164	577
Hotels	11	30	209	603
Cleaning, Dyeing, Repairs...	24	43	149	262
Laundries	55	67	1,452	1,082
Undertakers	16	27	224	172
Other Personal Services....	23	46	90	285
Business, Repair Service....	38	110	270	883

WHOLESALE FOOD PRICE INDEX

The index is the sum of the wholesale price per pound of 31 commodities in general use:

1944	1943	1943
Jan. 11.. \$4.00	Jan. 12.. \$4.03	High 1943 May 18
Jan. 4.. 3.99	Jan. 5.. 4.04	Low 4.00 Dec. 23
Dec. 28.. \$4.00	Dec. 29.. \$4.02	High 1942 Dec. 23
Dec. 21.. 4.00	Dec. 22.. 4.02	Low 3.45 Jan. 6

DAILY WHOLESALE PRICE INDEX

The index is prepared from spot closing prices of 30 basic commodities. (1930-1932 = 100).

Week Ending:	Mon.	Tues.	Wed.	Thurs.	Fri.	Sat.
Jan. 15..	170.99	171.05	171.12	170.98	170.97	170.96
Jan. 8..	170.87	170.77	170.92	171.08	171.18	171.10
Jan. 1..	170.85	170.64	170.82	170.99	170.95	170.95
Dec. 25..	170.59	170.38	170.50	170.79	170.82	Holiday
Dec. 18..	170.83	170.63	170.75	170.75	170.67	170.74
1943						
High	173.30	Oct. 15	166.02	Dec. 30	124.19	Dec. 18
Low	166.61	Jan. 2	151.54	Jan. 2	101.40	July 24

BUILDING PERMIT VALUES—215 CITIES

Geographical Division:	November		% Change
	1943	1942	
New England.....	\$1,713,614	\$1,838,887	-6.8
Middle Atlantic.....	5,553,666	6,021,572	-18.3
South Atlantic.....	3,848,655	3,003,521	+28.1
East Central.....	11,402,756	11,638,878	-2.0
South Central.....	4,754,350	3,075,954	+54.6
West Central.....	1,943,882	2,380,145	-18.3
Mountain	1,384,407	809,124	+70.9
Pacific	17,662,447	5,078,503	+247.8
Total U. S.....	\$48,361,780	\$34,746,584	+39.2
New York City.....	\$2,861,201	\$2,865,300	+230.0
Outside N. Y. C.....	\$45,498,489	\$33,881,185	+34.3

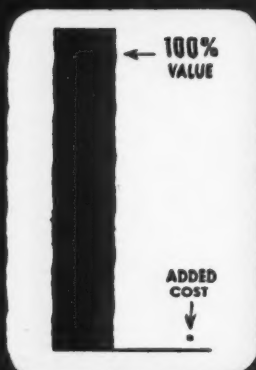
BANK CLEARINGS—INDIVIDUAL CITIES (Thousands of dollars)

	November		% Change
	1943	1942	
Boston	1,420,073	1,416,186	+0.3
Philadelphia	2,621,000	2,292,000	+14.4
Buffalo	264,767	218,600	+21.1
Pittsburgh	1,046,607	907,510	+15.3
Cleveland	874,022	768,498	+13.7
Cincinnati	432,724	389,215	+11.2
Baltimore	611,642	521,002	+17.4
Richmond	354,133	301,332	+17.5
Atlanta	596,800	488,554	+22.2
New Orleans	371,898	318,585	+16.7
Chicago	1,025,791	1,671,481	+15.2
Detroit	1,392,455	1,241,882	+12.1
St. Louis.....	757,265	609,152	+24.3
Louisville	284,831	249,403	+14.2
Minneapolis	630,721	480,537	+31.3
Kansas City.....	841,614	683,575	+23.1
Omaha	360,486	354,512	+1.6
Denver	260,070	217,769	+23.6
Dallas	473,292	395,513	+19.7
Houston	412,468	348,427	+18.4
San Francisco...	1,165,485	1,007,580	+15.7
Portland, Ore....	324,387	305,829	+6.1
Seattle	352,470	330,797	+6.6
Total 23 Cities.....	17,730,919	15,417,999	+15.0
New York.....	19,460,128	15,124,434	+28.7
Total 24 Cities.....	37,191,047	30,542,433	+21.8
Daily Average.....	1,617,002	1,388,292	+16.5

FURTHER INFORMATION

Due to war-time restriction on use of paper and the desire to conserve as much space as possible, the features appearing on this page are necessarily given in very abbreviated form. More detailed data on the various subjects are published each month in DUN'S STATISTICAL REVIEW. For example, building permit values for each of the 215 cities are given, with a breakdown by geographical regions. Failure statistics are available by States, by large cities, and by Federal Reserve Districts; also by industrial groups and by size of liabilities. Canadian failure statistics by Provinces are included. With the bank clearing data there is also comparative data for the three preceding years, for the preceding month and cumulative data for the year. The wholesale price indexes are presented for a much longer period of time. There is also a summarized presentation of other wholesale price index numbers, both United States and foreign. . . . The annual subscription to DUN'S STATISTICAL REVIEW is \$1 a year.

SO MUCH FOR SO LITTLE



PAPERS made from 100% new white cotton cuttings save critical war materials. Yet the most durable L. L. Brown ledgers*, instead of ordinary papers, add less than 1% to accounting costs, yet guarantee 100% protection—utmost resistance to wear. Ask your printer for samples of the following:

L.L. BROWN LEDGER PAPERS

*L. L. BROWN'S LINEN LEDGER
100% New White Linen & Cotton Fibres

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100% New White Cotton Fibres

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100% New Cotton Fibres

L. L. BROWN'S FINE
85% New Cotton Fibres

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75% New Cotton Fibres

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50% New Cotton Fibres

* Permanent Papers

L. L. BROWN PAPER CO.
ADAMS, MASS.



tories were low, there were still goods to sell except in some popular gift lines.

The latest DUN'S REVIEW index of consumer buying (see opposite page), reveals a monthly increase of 15.5 per cent for the country in November, with New England for the first time in many months recording one of the notable monthly increases. The Pacific Coast, Southwest, and South lead in sectional gains over last year, with the Northwest rising in prominence.

Wholesaling—Activity in wholesale markets centered around apparel, holiday items, and groceries. In other lines scarcities of merchandise continued to depress sales. Ordering at Spring apparel and fabric marts was substantial in November, although buyers were exercising a degree of selectivity in view of the long range buying necessitated by the shortage of available supplies and the slowness of deliveries. December activity comprised mainly of holiday items and last minute fill-ins of seasonal apparel. The delivery situation went unchanged and stocks dropped farther and were depleted in wholesale houses carrying popular gift lines. The first week in the new year witnessed a mild upswing in wholesale activity with January markets opening.

Wholesale grocery sales, lagging in recent months, increased only fractionally in November but were 20 per cent ahead of November 1942 due to price increases and to additional volume in lines outside of canned goods. Late deliveries of canned goods, however, helped to support grocery inventories at a better-than-expected level at the end of the year.

Prices—Wholesale commodity prices moved down another point in the month of November, to a level of 2.6 per cent over 1942, in contrast to a year-to-year gain of 5 per cent in May when commodity prices hit a wartime high. A fractional decline occurred in manufacturers' raw materials and a fractional shift upwards in manufactured products. Farm products decreased about 1 per cent in the month but were 10 per cent over the same period last year.

Prices received by farmers were 11 per cent over December 1942, and increased about 3 per cent in the month with a seasonal rise in fruits and grains. Truck crops were off in the month 17 per cent.

The cost of living declined from 124.4 in October to 124.1 in November, according to the U. S. Bureau of Labor

SWEET'S FILES

for 1944 carry
the story of

VERD-A-RAY

**TECHNICAL DATA AND
PRICE INFORMATION
SHOULD BE IN YOUR FILES
—ASK FOR IT—TODAY**

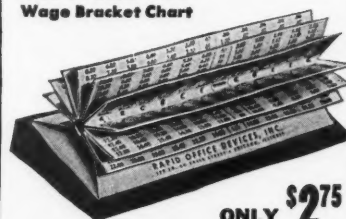
A list of users in industry would look like "who's who" in war materiel production. Where glare exists, this new lamp is now accepted as a necessity. Try it. Technical data and sample will be sent without obligation to you.

**SAVE ELECTRIC CORP.
TOLEDO 5, OHIO**

New 1944

RAPID VISUAL TAX SELECTOR

with Official 1944
Wage Bracket Chart



ONLY \$275


**UNIQUE, DURABLE,
SPEEDY, INEXPENSIVE**

The new official 1944 government chart is four times as long as the old one. This means a headache in locating the correct deduction for each employee UNLESS you use the RAPID VISUAL TAX SELECTOR. This compact device breaks the chart down to 5 line, easy reading, groups. You locate the exact computation with a flick of the finger. Unit is 8"x3"x3". Solid wood base. Non-skid rubber feet. Charts printed in two colors on durable SOREX and lacquered for protection.

**TRY IT OUT—YOU HAVE NOTHING TO LOSE
ABSOLUTE MONEY BACK GUARANTEE**

Send a check with your order NOW! Specify whether weekly, bi-weekly, or semi-monthly chart is desired. We will ship immediately. If you are not completely satisfied return it to us within 10 days and we will refund your money.

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**In twelve months
WE BOUGHT FROM 688 SOURCES**

QUITE recently a business friend asked how many insurance companies we deal with.

Our answer surprised him — a total of 688 in the United States alone in a single year!

Three important facts are to be read in this figure. First, it dramatizes the fact that we are bound to no one insurance company or group of companies. In all our buying, we are independent and unbiased.

Next, it supports our creed that we have no axes to grind, but those of our clients. Instance by instance, the facts peculiar to the situation govern our decisions. Where

to buy is always determined by the particular requirements of the firms we serve.

Finally, it is evidence of the wide knowledge of the insurance markets of the world which we have amassed in almost a century of business.

No one man has all this information. Johnson & Higgins maintain a large staff of specially trained technicians — in order to provide for each and every client the full meaning of complete service.

Write or phone one of our offices for further information — without obligation.

JOHNSON & HIGGINS

Established 1845

INSURANCE BROKERS

63 WALL STREET • NEW YORK

Buyers of Insurance for Commerce and Industry

CHICAGO

DETROIT

PHILADELPHIA

BUFFALO

HAVANA

LOS ANGELES

SAN FRANCISCO

SEATTLE

VANCOUVER

WINNIPEG

TORONTO

MONTREAL

A SURPRISING THING about sound is that when the human voice is electrically amplified, the amplification sometimes causes harsh overtones that make it difficult to understand.

One of the jobs of Dictaphone research is to assure that any voice will be clear and intelligible when a secretary "plays it back" for transcription.

HOW TO REMODEL A WHISPER



Dictaphone engineers don't aim to reproduce sound with absolute fidelity. You might call them *sound sculptors*. They trim away a resonance here . . . step up a tone there . . . until every syllable can be *understood* by the secretary who listens and types.

It is fortunate that such knowledge and skill were ready and could be put to practical uses by the Government and industry to meet the urgent demands of war . . . fortunate for busy men whose time and energies count for so much in the victory drive.

From the Dictaphone Research Laboratories at Bridgeport, Conn., have come many other improvements in electrical recording for use in war-industries and by the armed forces. The experience gained in the production of this war equipment will be available to extend the usefulness of the Dictaphone method after the war is won.

Dictaphone Corporation, 420 Lexington Avenue, New York 17, N. Y.



DICTAPHONE
DICTATING AND RECORDING EQUIPMENT

The word DICTAPHONE is the registered trade-mark of Dictaphone Corporation, makers of dictating machines and other sound recording and reproducing equipment bearing said trade-mark.

DICTAPHONES AVAILABLE!
Dictaphone equipment is available to firms whose work is essential to the war effort.

Statistics, with Baltimore, Chicago, Washington, and Boston the principal cities to reflect this decline. Food, although 5 per cent over last year, was the chief factor in the monthly decrease, as prices of many seasonal fresh fruits and vegetables and the prices of pork and beef were less. Dairy products remained stable.

Finance—Many financial developments hinged around the heavy seasonal Christmas demand for funds. The currency in circulation reached a new peak of \$20,440,000,000 on December against \$19,918,000,000 in November, representing a rise of 33 per cent over December 1942. Bank deposits rose slightly over October, but were 1 per cent below the November 1942 level. Excess reserves dropped 11 per cent in the month of November and were 66 per cent below last year as the result of an increase in reserve balances and a tremendous addition in Treasury deposits. Offsetting these factors tending to decrease credit facilities was an 11 per cent increase in the banks holdings of U. S. Government securities. The November total of \$10,348,000,000 represents an increase of 92 per cent over last year.

Security markets were stronger. Dow-Jones industrial stock prices averaged 134.57 in December against 132.66 in November and total stock volume rose from 18,246,011 to 19,526,660 shares. Bond volume gained similarly. In the first week of January volume improved further and prices rose, crossing the recovery highs of November-December.

Failures—Business failures continued their downward course in November after a fairly substantial rise in October. The rate per day remained unchanged from October, but the insolvency index, when adjusted for seasonal variation, dropped one point to a new all-time low of 9.7. A year ago it stood at 34.8.

A sharp decline in commercial service failures, on a daily basis, overbalanced a slight tendency toward increasing failures in the other main industry groups. In retail trade, greatly increased numbers of restaurant failures ran counter to decreases in all other important lines. Trends were mixed in manufacturing. By size, there was some increase in very small failures, larger failures dropping.

Only one failure occurred in November for every four a year ago. Liabilities, however, have been cut only in half, because of less of a decline among large failures than among small ones.



"Oh Dear-12 More Stops to Make!"

President Smithers is handling deliveries himself, today. And, as you see, he's away behind schedule.

Joe, his delivery man, would finish in half the time. For Joe has the job down to a series of orderly, organized operations. Here, as everywhere in business or industry, routinized work is *swift* work.

One of the biggest benefits that Uarco Record Forms bring business and industry is to make sure that every operation is performed in the swiftest, most efficient way.

In shipping departments—order departments—accounting departments—wherever forms are used

—Uarco Records keep the work flowing with speed, accuracy and economy. For Uarco forms *routinize* the job . . . by properly *recording* it.

Uarco's years of experience in producing autographic (hand written) and typewritten record forms may help you solve a complicated management problem . . . achieve better customer relations . . . prevent mistakes . . . perform more work with fewer employees. It costs nothing to ask a Uarco representative about it.

UNITED AUTOGRAPHIC REGISTER COMPANY
Chicago, Cleveland, Oakland • *Offices in All Principal Cities*



AUTOGRAPHIC REGISTERS



FORMS FOR
HANDWRITTEN RECORDS



FORMS FOR
TYPEWRITTEN RECORDS



FORMS FOR
BUSINESS MACHINE RECORDS



BETTER BUSINESS RECORDS

*Liked to travel—
...but hated to leave!*



He liked to sell . . . liked to mix with the men, keep tabs on the trade (and the competition), see for himself how the story went over. But as the business grew, he spent too much time in the office, too little on the road. And he dreaded the detail that piled up while he was away, the stacks of stale reports to be read and studied . . .

Most sales managers know how to use information; few know how to expedite it out of their own sales organizations. Getting information to flow faster, arrive earlier, and be more useful—is our business.

McBEE products, evolved from years of experience with thousands of

businesses, are basically simple tools, custom suited to your business, need no special staff, skills or machinery . . . usually cut rather than add to overhead . . . are understandable and useable by ordinary office people. Today, girls with no previous experience and little training are efficiently using McBee techniques and products for sales analysis . . . and every other type of management report, whether in the office or factory.

Once the war is over, sales departments must be rebuilt—better and stronger than ever before. McBee can help any sales manager find where he stands—sooner, surer. The time to find out how McBee can help is now.



THE McBEE COMPANY

295 Madison Avenue, New York City 17, New York

General Offices—Athens, Ohio . . . Offices in principal cities

ENGLAND

(Continued from page 11)

cently, when a cut of 50 per cent was decided upon. One finds that 23 per cent of department stores have shut down and their staffs have been reduced by 33 per cent. Co-operative societies have lost 15 per cent of staff. Chain stores specializing in one line of goods have shut down 11 per cent and lost 22 per cent of staff. Chains of variety stores have shut down 4 per cent and lost 26 per cent of staff. Chain stores with single lines are tending to lose business.

The railways are operating some 50 per cent more passenger miles, and 25 per cent less train miles. Timber for civilian use is cut down to 3 per cent, 23 per cent of all timber is used by the services for packing cases. Civilian consumption of cotton is 45 per cent of pre-war. Five million tons of iron and steel scrap are being collected annually.

The five largest British cigarette makers have made a voluntary agreement to manufacture proprietary brands in any of their factories. It is saving 46 per cent of the rail transport involved, 12,000,000 ton miles a year.

The lesson to learn from studies of economy and salvage is to begin early enough and before real necessity arises. There is a general spirit of economy throughout the nation which is doubtless producing results greater than it is possible to estimate. Everything is precious, water, fuel, and household goods and equipment of every kind. Economy and re-use of materials is more important than salvage.

One really fundamental lesson of the war is that only in the last resort should people be moved from their homes and places where they are accustomed to work. Around each individual is capital equipment of high value, the home with fittings and furniture and vegetable garden, with coordinated medical, postal, shopping, transport, gas and electric services, and so on. People know the geographic facilities of their own place. People know each other in day-to-day contacts and at work. Strain is everywhere. To make capital redundant to create new services in the midst of war and to waste time while new teams get together is usually unjustifiable. It would take a very long time to reap the benefit of most of the new capital in buildings, tools, and services and to replace the value of the broken group. Let us hope the U. S. A. will ponder this.

TAXATION---One of America's Biggest Industries!

With an estimated volume of some 27 billion dollars for 1943, taxation takes a top place in the ranks of American "big business." No other economic activity touches so intimately the lives and fortunes of us all.

Accordingly nowhere else is prompt, accurate, and continuing information about new developments so important to the effective conduct of corporate and personal business affairs as in the field of federal and state taxation. It is here that the dependable CCH loose leaf tax and business law reporting Services play their essential parts.

There is a CCH loose leaf Service for every live and important phase of tax and business law. May we send details?



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PUBLISHERS OF LOOSE LEAF LAW REPORTING SERVICES

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FREE

This book tells
how to get

MORE MONEY FOR SCRAP



Will you accept our help in getting you the highest prices for your scrap paper, rubber, cloth, metal, barrels, bottles or whatever else your salvage may be? For twenty-four years we have been serving hundreds of industrial concerns both large and small. May we send you this brochure telling how the James Flett Organization works for you to increase the returns from salvage, and about the plan that sometimes doubles, or even triples the income from your scrap materials?

There are no technicalities in "More Money for Scrap." It tells you the **FACTS** about the scrap business. It tells you why, under the James Flett plan, you can get the richest returns from scrap.

You can use the same methods that raised the scrap sales of one client from \$5,000 to \$23,000 in two years — or another that added 160% over the original \$20,000. Proportional increases have been made on smaller quantities.

The James Flett Organization plan is simple.

Our engineering department plans and supervises your salvage operation so that your salvage can bring the highest values. We sell for you, at the highest price, to the best markets. You have the world's largest sales agents of scrap materials working for you. You have the cooperation of a highly trained staff of experts in the salvage field looking after your interests — and for this service you pay only a small, fixed percentage fee.

Get all the income you should have with practically no added effort on your part. The book "More Money for Scrap," is yours for the asking. Mail the coupon **NOW!**

JAMES FLETT ORGANIZATION

World's largest sales agents of Salvage Materials

MAIL THIS COUPON AT ONCE

James Flett Organization
400 West Madison Street, Chicago, Illinois

Without obligation, please rush a copy of "More Money for Scrap" to:

Name _____

Company _____

Address _____

HERE and THERE

Tells Employees Post-War Plans

—Addressing one of the chief factors in post-war planning—the employee, the Hercules Powder Company is acquainting him with its plans and prospects through a series of articles in the employee magazine, the *Hercules Mixer*. The plans were broadly sketched in the initial article and are being followed up monthly with a story on a specific instance of post-war planning activity.

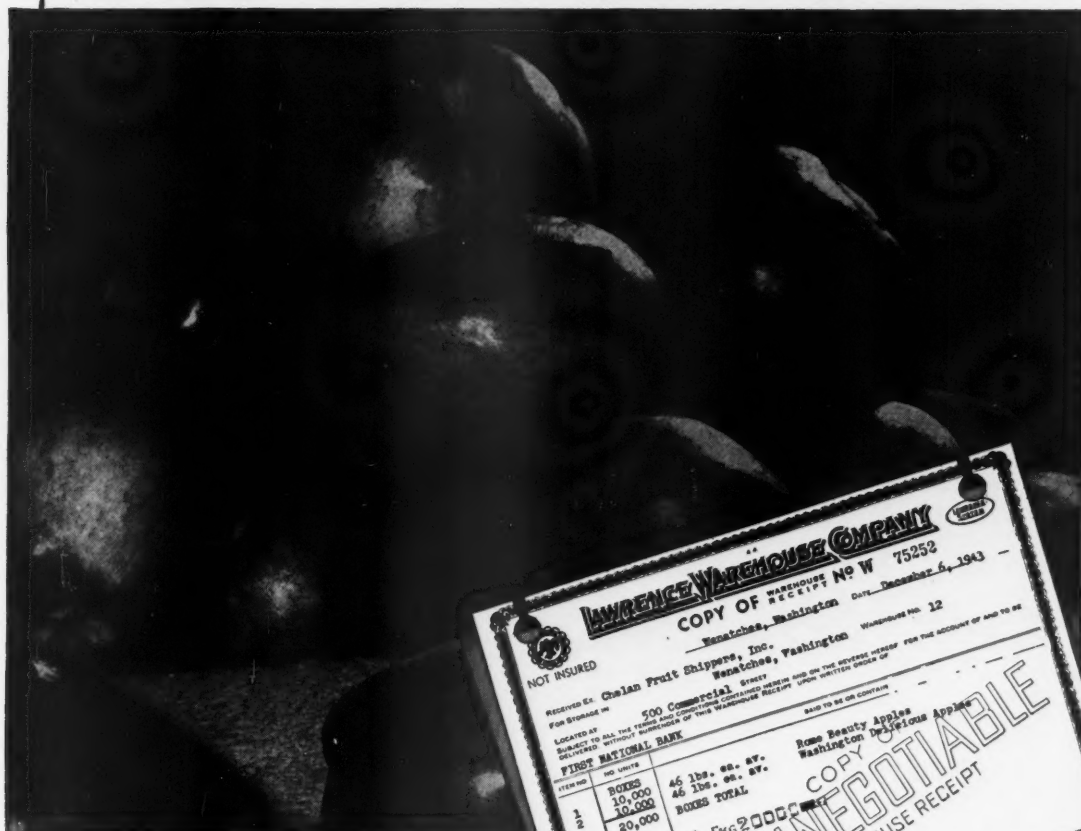
The introductory article stressed the post-war markets for Hercules products as revealed by the firm's economic and laboratory research divisions. The story pointed out that Hercules will have little change-over from all-out war production to peacetime endeavors, due to the fact that its products are largely the same in peace and war. It stated "While there will be some delays, in general we shall slip into post-war production as smoothly as a shell slips into a gun. There will be practically no slack period for redesign or adjustment to non-war production."

Checks Metal Properties—A new means of checking, evaluating and sorting metals and alloys in the form of stock or finished production pieces is provided by the DuMont "Cyclograph." This electronic instrument is manufactured and leased by the Allen B. DuMont Laboratories, Inc., 2 Main Avenue, Passaic, N. J.

The "Cyclograph" is designed to perform both qualitative and quantitative metallurgical tests on either ferrous or non-ferrous metals. It provides a non-destructive means of determining differences or variations in the metallurgi-



A Apples or Airplane parts...



Almost any inventory is A-1 loan collateral

IS YOUR working capital "frozen" in a large inventory of raw materials or finished products? Apples or airplane parts; glass or grains—or almost any readily marketable inventory is sound collateral for an easily negotiated bank loan, when backed by Lawrence System warehouse receipts. Under the Lawrence System the inventory can remain on the premises of the borrower without any interruption of normal business.

Right now you may want to extend your credit limits, meet production schedules, or assure yourself adequate supply of raw materials. So, why not investigate Lawrence System field warehousing? For 30 years Lawrence System has successfully handled inventory loans with banks all over the country. See your banker today and ask for details... or contact the nearest Lawrence office. Available from coast to coast.

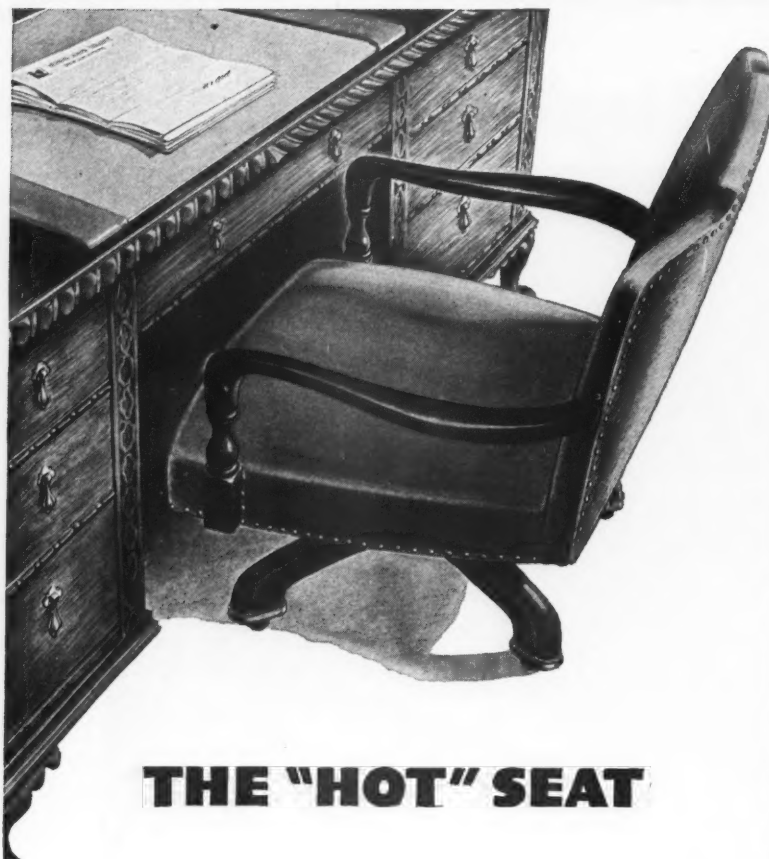
LAWRENCE SYSTEM *field warehousing*

FOR BANK LOANS AGAINST INVENTORY



New York: 72 Wall St • Chicago: 1 No. LaSalle St • San Francisco: 37 Drumm St • Los Angeles: W.P. Story Bldg.
Buffalo • Boston • Philadelphia • Kansas City • St. Louis • New Orleans • Charlotte, N.C. • Jacksonville, Fla.
Minneapolis • Dallas • Houston • Denver • Fresno • Portland, Oregon • Seattle • Spokane • Honolulu

LAWRENCE WAREHOUSE COMPANY
COPY OF WAREHOUSE RECEIPT No W 75252
Date December 6, 1943
Warehouse No. 12
Warehouse, Washington
500 Commercial Street
NOT INSURED
RECEIVED BY: Chalan Fruit Shippers, Inc.
FOR STORAGE IN
500 Commercial Street
LOCATED AT
FIRST NATIONAL BANK
SAID TO BE ON HAND
46 lbs. 08. 07.
10,000 BOXES
10,000 BOXES
20,000 BOXES TOTAL
Rome Beauty Apples
Washington Delicious Apples
COPY
NON-NEGOTIABLE
WAREHOUSE RECEIPT
LAWRENCE WAREHOUSE COMPANY
PER L. E. Haver



THE "HOT" SEAT

The man who has to plan and control the financing of a business is sitting in the "hot" seat.

Taxes, re-negotiations, labor, material and conversion costs add up to a new version of "capital punishment."

If they are currently putting a strain on your resources, we can supply additional operating cash in any required amount.

We are also ready to serve you, as we are serving others, with an engineered financing plan to:

1. Purchase other companies.
2. Buy out partners, officers or stockholders.

3. Retire bonds, mortgages, preferred stock or long-term loans.

In almost any situation, Commercial Credit is prepared to assist you on quick notice, without red tape, restrictions or interference with management.

Whether you require thousands or millions, we will welcome your inquiry and work out plans and terms that will be mutually profitable.

Our complete services are described in a new booklet "CAPITAL SOURCES." If you didn't receive a copy, write.

Commercial Credit Company Baltimore

Subsidiaries: New York Chicago San Francisco Los Angeles Portland, Ore.

CAPITAL AND SURPLUS MORE THAN \$68,000,000

cal properties of metal parts or stock. Properties which the designers claim to have successfully investigated with the "Cyclograph" include measurement of case depth, core hardness, plating or cladding thickness, carbon content, brittleness, and variations in heat treatment.

The device is housed within a steel cabinet accommodating an array of chassis covering the desired applicational functions. This cabinet is locked and sealed to prevent inexperienced tampering with the electronic mechanism. Special controls are located behind a locked panel, the key being retained by the local technician familiar with the setting of the instrument for different kinds of materials and reasons.

Materials or pieces to be checked are placed in a suitable coil fixture in the form of a box. The "Cyclograph" utilizes the principle that the properties of metal cause variations in the core loss of a tuned pick up coil surrounding the piece under test. These variations affect the shape of an easily interpreted pattern or cyclogram seen on a cathode-ray screen. By such means a semi-skilled operator can determine differences in metallurgical properties of a number of ostensibly similar parts, or can conduct incoming inspection tests on bar or other forms of stock.

Unemployment Compensation—

To help in the solution of post-war unemployment problems, an unemployment compensation program has been devised by Sonora Radio & Television Corp., Chicago. This company now produces aircraft communications equipment.

The plan provides for payments of \$20 per week for a maximum of 18 weeks in the event that any employee is laid off. Such payments will begin after the 18 weekly payments from the State or if for any reason the State payments are not made to the employee, the Sonora payments will begin immediately.

The company will provide the entire cost of the unemployment compensation program. This was created primarily to care for employees who will be without work due to conversion of the plant from war production to peacetime activity.

Employees in the armed services will be eligible to share in the program upon their discharge. In the event that they have been killed, the Sonora plan provides for payment to their next of kin of a sum equal to 18 weeks' unemployment compensation.

THE NATIONAL CITY BANK OF NEW YORK

Head Office • 55 WALL STREET • New York



Condensed Statement of Condition as of December 31, 1943

(In Dollars Only—Cents Omitted)

INCLUDING DOMESTIC AND FOREIGN BRANCHES

ASSETS

Cash and Due from Banks and Bankers	\$ 885,401,994
United States Government Obligations (Direct or Fully Guaranteed)	2,174,265,961
Obligations of Other Federal Agencies	36,204,882
State and Municipal Securities	130,284,824
Other Securities	47,038,098
Loans, Discounts, and Bankers' Acceptances	633,126,637
Real Estate Loans and Securities	4,783,329
Customers' Liability for Acceptances	4,471,464
Stock in Federal Reserve Bank	5,625,000
Ownership of International Banking Corporation	7,000,000
Bank Premises	36,649,081
Items in Transit with Branches	1,917,734
Other Assets	1,050,345
Total	\$3,967,819,349

LIABILITIES

Deposits	\$3,733,649,246
(Includes United States War Loan Deposit \$409,714,667)	
Liability on Acceptances and Bills	\$8,209,196
Less: Own Acceptances in Portfolio	2,791,171
	5,418,025
Reserves for:	
Unearned Discount and Other Unearned Income	1,402,585
Interest, Taxes, Other Accrued Expenses, etc.	12,695,897
Dividend	3,100,000
Capital	\$ 77,500,000
Surplus	110,000,000
Undivided Profits	24,053,596
	211,553,596
Total	\$3,967,819,349

Figures of foreign branches are included as of December 23, 1943, except those for enemy-occupied branches which are prior to occupation but less reserves.
\$572,456,453 of United States Government Obligations and \$5,398,354 of other assets are deposited to secure \$539,525,139 of Public and Trust Deposits and for other purposes required or permitted by law.

(Member Federal Deposit Insurance Corporation)

Chairman of the Board
Gordon S. Rentschler

Vice-Chairman of the Board
W. Randolph Burgess

President
Wm. Gage Brady, Jr.

BANKERS TRUST COMPANY

NEW YORK



CONDENSED STATEMENT OF CONDITION, DECEMBER 31, 1943

ASSETS

Cash and Due from Banks	\$ 331,870,815.99
U. S. Government Securities	950,441,228.19
Loans and Bills Discounted	362,407,441.55
State and Municipal Securities	12,621,357.02
Other Securities and Investments	48,941,929.48
Real Estate Mortgages	732,649.81
Banking Premises	15,867,316.64
Accrued Interest and Accounts Receivable	4,245,604.78
Customers' Liability on Acceptances	1,696,632.10
	<u>\$1,728,824,975.56</u>

LIABILITIES

Capital	\$25,000,000.00
Surplus	75,000,000.00
Undivided Profits	<u>25,366,747.03</u>
Dividend Payable January 3, 1944	875,000.00
Deposits	1,594,694,072.48
Accrued Taxes, Interest, etc.	4,397,109.15
Acceptances	
Outstanding	2,108,504.22
Less Amount in Portfolio	<u>112,333.67</u>
Other Liabilities	1,996,170.55
	<u>1,495,876.35</u>
	<u>\$1,728,824,975.56</u>

Securities in the above statement are carried in accordance with the method described in the annual report to stockholders, dated January 14, 1943. Assets carried at \$314,633,613.74 have been deposited to secure deposits, including \$297,799,420.20 of United States Government deposits, and for other purposes.

Member of the Federal Deposit Insurance Corporation

The reason that the Sonora payments will begin after the State compensation is ended is because persons would not be eligible to receive State compensation if they had any income from an employer.

In many cases employees who are not eligible for State funds (because they have not earned enough in a certain period) will become eligible for the State compensation after receiving the Sonora payments, regarded by the State as salary.

Under present Illinois statute the maximum unemployment compensation is \$20. Should this amount be increased it is planned to increase the sum to be paid by Sonora.

Saves Man Hours—The use of a recently designed "safety schooner" is reported as saving thousands of man hours at the Willys-Overland Motors plant in Toledo. This mobile unit visits workers at their benches and repairs anti-accident equipment without interrupting production.

"The schooner" was developed by Willys-Overland safety engineers to keep men on the job and to reduce industrial accidents. It was designed to service and to repair all types of safety equipment, including goggles, aprons, safety shoes, helmets, and face shields.

Simulates Stars—A view of a miniature solar system is simulated in the "Collimator," an instrument designed by Bendix Aviation Corporation engineers to assure the accuracy of aircraft sextants. The sextants, basic device for celestial navigation, are produced in large quantities in the firm's Eclipse-Pioneer division plant at Teterboro, N. J.

SHIFTING SCENES

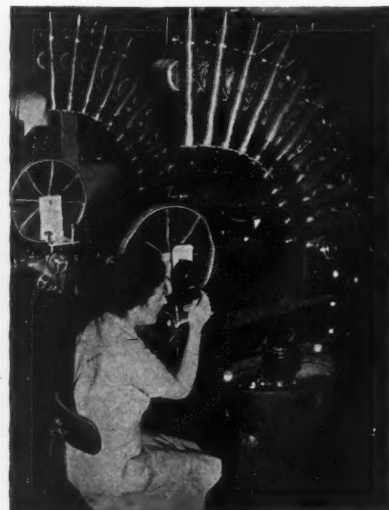
on the Business Front



Just Off the Press

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Each of the "Collimator's" radially mounted tubes contains an illuminated star-like reticle to secure accurate calibration of each sextant by permitting precise focusing on the tiny simulated stars at angles ranging from zero to 90 degrees on the horizon. Here Mrs. Marjorie Leigh of Hackensack, N. J., gives a sextant its final inspection before delivery to the armed forces.

If the Factory Were Bombed—Realizing that probably very few of the thousands of B. F. Goodrich employees at Akron knew what they would do if the factory were bombed, the company recently issued a manual so that every worker might learn what would be expected of him in such an eventuality.

The booklets, simple and informative in style, were prepared by the plant protection department aided by the art and advertising departments. Employees were told that on hearing the warnings they should follow directions printed on placards posted near all exits and other vantage points on every floor in the factory. Foremen were given a supplementary pamphlet outlining their part in plant defense as foremen and supervisors are in charge of evacuation.

Employees interested in first aid hailed the portion of the pamphlet presenting a chart on arteries and pressure points to control bleeding.

Facilitates Oiling—Positive lubrication of all bearings on machine tools and similar equipment, regardless of location or condition of bearings, is available through the use of the improved "Multival" system, announces the Farval Corporation, Cleveland, manufacturers. Oil or grease is delivered to the distributing blocks by means of a manual or power-operated portable gun which serves as a central pump.

Complete "Multival" equipment consists of multiple valve blocks—each serving two to ten bearings, lubrication lines leading to individual points, and suitable fittings to accommodate practically any type of bearing connection. The systems, it is said, can readily be installed by shop maintenance crews.

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The way "Automatic" FIRE-FOG goes into action, when oil or other flammable liquid ignites, amazes—and re-assures—those who have seen it perform. In a matter of seconds this is what FIRE-FOG does:

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A mist-fine water spray automatically blankets and chokes the fire. FIRE-FOG Nozzles, properly placed and directed at time of installation, assure the complete spraying of the fire area.

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IT QUENCHES



With FIRE-FOG actively and relentlessly spraying every square inch of burning surface, the flames are brought under control almost immediately and the fire is quickly quenched.

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CONDENSED STATEMENT OF CONDITION

At the close of business, December 31, 1943

ASSETS

Cash and Due from Banks	\$239,375,104.84
U. S. Government Obligations, Direct and Fully Guaranteed	657,728,405.67
Bankers' Acceptances and Call Loans	63,769,792.38
State and Municipal Bonds	61,132,235.74
Other Bonds and Investments	77,734,925.32
Loans and Discounts	139,435,523.75
Banking Houses	419,793.50
Other Real Estate	2,819,334.76
Mortgages	929,179.15
Credits Granted on Acceptances	2,037,000.92
Other Assets	4,132,782.70
	<u>\$1,249,514,078.73</u>

LIABILITIES

Capital Stock	\$20,000,000.00
Surplus	55,000,000.00
Undivided Profits	7,469,562.31
	<u>\$82,469,562.31</u>
Dividend Payable Jan. 3, 1944	900,000.00
Reserves, Taxes, Interest, etc.	7,958,257.91
Acceptances Outstanding	\$4,544,866.08
(less own acceptances held in portfolio)	676,143.40
	<u>3,868,722.68</u>
Other Liabilities	319,370.00
Deposits (including Official and Certified Checks Outstanding \$12,100,388.19)	<u>1,153,998,165.83</u>
	<u>\$1,249,514,078.73</u>

U. S. Government Obligations and other securities carried at \$210,927,453.70 in the foregoing statement are deposited to secure public funds and for other purposes required by law.

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safety while the equipment is in full operation as blocks are mounted at accessible points on the machine.

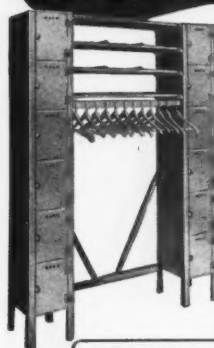
Substitutes for Critical Metals and Alloys—Data on the performance of materials which can be used as war-time substitutes for critical metals and alloys is offered to companies concerned with corrosion problems by the International Nickel Company's Technical Service. This data is based on years of research with corrosion problems and on hundreds of case histories. There is information on ordinary iron and steel as well as on corrosion-resisting steels and non-ferrous metals and alloys.

The data was obtained from more than 2,000 plant tests on approximately 40,000 metal specimens under many different kinds of conditions and with corrosive media found in all manner of industrial operations. While the principal purpose of these tests was to choose the proper material containing nickel for particular services, they have provided comparative data on the other metals and alloys tested.

Read on the Run—Shipments of scrap metal from General Motors Corporation plants recently set a record of 132,637,000 pounds, equalling the weight of 2,000 General Sherman tanks. . . . A new safety feature to eliminate accidents to pedestrians due to inadequate curb protection is a cast iron abrasive curb bar, developed by Wooster Products, Inc., Wooster, Ohio. Abrasive grits are cast integrally with the iron to a minimum depth of 1/16th of an inch. . . . Production of high proof alcohol, required in munitions and synthetic rubber manufacture, has expanded at such a rate that the output by June 1944 is expected to be five times that of a year ago.

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DUN'S REVIEW

290 BROADWAY NEW YORK 7, N. Y.

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TERMINATION FINANCING

(Continued from page 16)

loans would be authorized will depend upon the nature of the security and the degree of control which generally would be required, by reason of the varying circumstances of individual cases, definition of procedure is impossible until Congress has determined the availability of such financing.¹³

Interest should be a reimbursable termination cost. If contractors were allowed interest at the rate of 2½ per cent on the unpaid balance of the termination settlement, the position of contractors who prefer private financing to public financing would be equalized.

If purchase procedure can be formulated which will not bring the procurement agencies into complicated involvements, the Government should underwrite the subcontractor and supplier whose prospect of recovering termination costs from an immediate purchaser has been endangered through the purchaser's default, insolvency, or reorganization. Lack of normal markets due to war requirements and conservation have forced many suppliers, whose subcontracting work has con-

¹³ "A recent analysis of Regulation V war production loans authorized by the War Department, Navy Department, and Maritime Commission through September 1943 shows that about one-fifth of the number of guaranteed loans authorized were for amounts of \$25,000 or less and that over half of them were for \$100,000 or less. Less than one-eighth were for more than \$1,000,000. The percentage distribution of the loans authorized, according to size of loan, is as follows:

Amount of Loan	Per Cent of Total Number of Loans	Cumulative Percentage Distribution
Up to \$5,000.....	3.6	3.6
\$5,001-\$10,000.....	5.1	8.7
\$10,001-\$25,000.....	11.9	20.6
\$25,001-\$50,000.....	13.7	34.3
\$50,001-\$100,000.....	16.7	51.0
\$100,001-\$250,000.....	16.9	67.9
\$250,001-\$500,000.....	12.4	80.3
\$500,001-\$1,000,000.....	7.9	88.2
\$1,000,001-\$5,000,000.....	9.9	97.2
\$5,000,001-\$10,000,000.....	1.4	98.6
\$10,000,001-\$25,000,000.....	.8	99.4
\$25,000,001-\$50,000,000.....	.3	99.7
Over \$50,000,000.....	.3	100.0

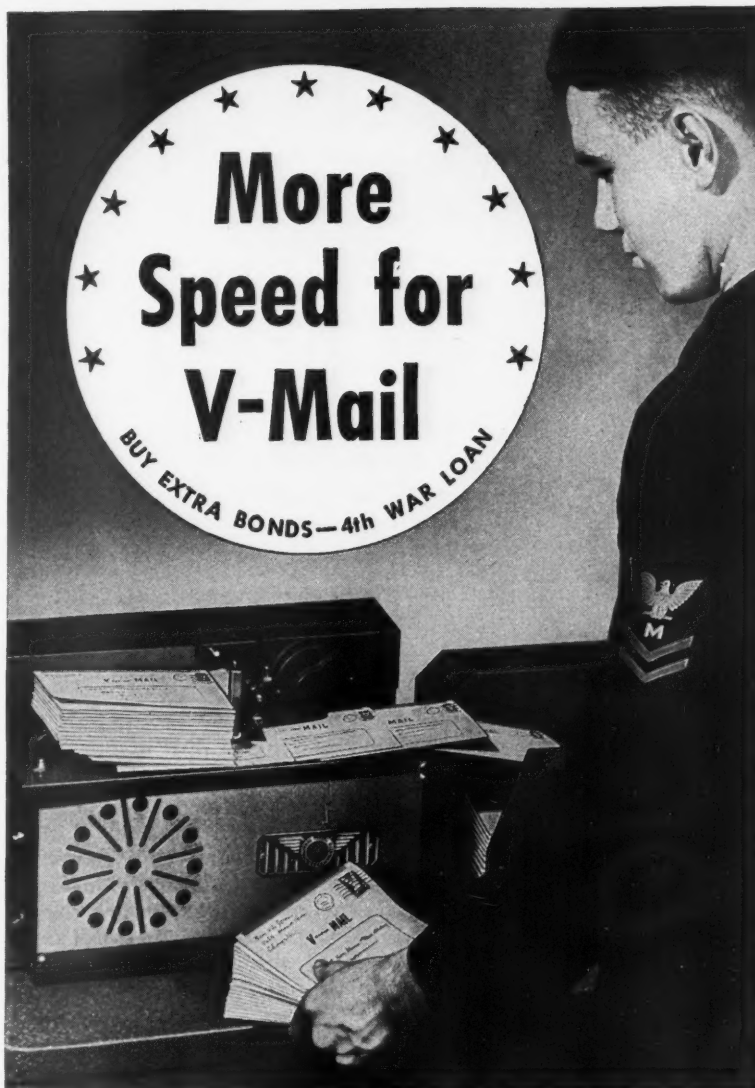
A classification of Regulation V loans authorized according to size of the borrowers as distinguished from the size of the loans shows that about 25 per cent of the borrowers had assets under \$50,000, and that 68 per cent had assets of less than \$500,000. Only 6 per cent of the borrowers had assets of \$5,000,000 or more. The following table gives a distribution of the number of borrowers by size of total assets:

Assets of Borrower	Number of Borrowers	Per Cent of Total Number	Cumulative Percentage Distribution
Under \$50,000.....	801(a)	24.7	24.7
\$50,000 to \$500,000.....	1,417(b)	43.6	68.3
\$500,000 to \$5,000,000.....	814	25.1	93.4
\$5,000,000 and over.....	198	6.1	99.5
No information.....	15	.5	100.0
Total.....	3,245		

(a) Includes 171 borrowers, for whom asset size is not available, with loans under \$50,000.

(b) Includes 113 borrowers, for whom asset size is not available, with loans of \$50,000 to \$100,000, inclusive.

In the above table a borrower is counted only once regardless of the number of loans made to him.—Federal Reserve Bulletin, December 1943.



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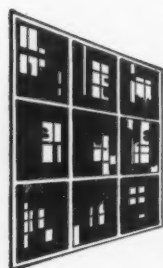
When peacetime comes, *speed* will continue to be the watchword—in a new, faster-moving business world. And the postwar mailroom will be "the heart of every office"—it will set the pace for other departments—keep things on the move right down the line. Plan now for your postwar mail-

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tributed substantially to various production programs, into dealing with purchasers with whom they have had no previous association.

Although a financing program as great as that required to assist terminated contractors at the end of the war will entail risk of loss of considerable Government monies, it is believed that existing safeguards required on advance payments and V-loans by the financing sections of the War Department and the stringent review of costs upon which partial payments are based will protect well the interests of the Government. However, the security requirements, close control and supervision, and strict review presently associated with production financing may limit to an extent the relief available to a number of financially strained war contractors upon termination.¹⁴

Congress may determine that risk of loss from relaxation of existing criteria is of minor concern when compared with the unemployment and loss of revenue which would result from a delay in reconversion.

It is dangerous to believe that courageous Government and private participation in termination loans will be self-sufficient in meeting the financial needs of the more-extended companies. Delay in settlement would force the dangerously over-extended companies into positions which, when imposed upon already weakened structures, might literally destroy them.

"Need" and Other Criteria

It has been suggested that the availability of Government financing should be limited to cases of financial need. Such a limitation upon the lending authority would delay the execution of commitments and tend to retard the resumption of normal operations by many companies. Further, inasmuch as available advances and loans ordinarily would represent only a part of the amount due the contractor directly or indirectly from the Government, the size or financial position of a company

¹⁴ For example, *minimum security* for advance payments is the establishing of a special bank account into which all advances and a portion or all of other payments, such as reimbursements, made under the contract, are deposited. The majority of advance payment agreements are standard and provide for Government lien upon all funds on deposit in the special account and lien upon all materials purchased and all supplies manufactured under the contract. Liquidation of advances under fixed priced contracts is effected by prorated deductions from reimbursement for delivered supplies; liquidation of advances under cost-plus contracts is terminal and usually is effected through presentation of non-payment vouchers. Other security elements may be the character and credit of the borrower, subordination and standby from private creditors, bonds, guarantees, and, in rare instances, assignment of equities and execution of mortgages. Control is maintained by pre-audit, countersignature, or post-audit and supervision over the delivery schedules of the borrower and audit of schedules submitted in support of requests for the drawing down of funds from authorizations.

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should not preclude it from obtaining such assistance. The criterion which probably should receive favorable consideration as the test of eligibility for interim financing is whether the cancelled work is, or was, related to the prosecution of the war.

The argument has been advanced that payment of the full amount of a contractor's estimated cost before final settlement would destroy all incentive to proceed with the consummation of the settlement and that an advance payment or loan of 75 per cent of the amount estimated to be due the contractor, would be sufficiently liberal. It is probable that some limitation will be placed upon the amount of the financing which the procurement agencies may make available to terminated contractors. However, the procurement agencies, and particularly the War Department, have recommended that advance payments be available up to 90 per cent of the estimated termination cost.

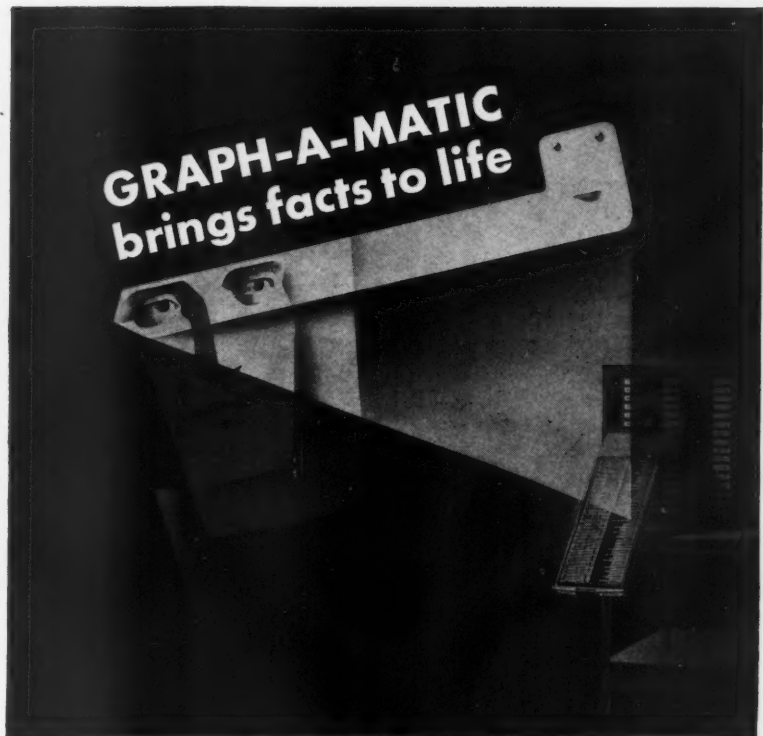
About Mandatory Payments

It has been suggested that the scope of termination financing be enlarged to permit contractors to demand mandatory advance and partial payments of termination costs. Such payments would be based on a fixed percentage (75 per cent) of the costs certified by the contractors as due and arising under termination. It is not believed that a mandatory partial payment would sufficiently protect the interests of the Government to justify its adoption.

It is believed that final settlement of termination claims may vary from 100 per cent to 0 per cent of claims submitted. Such estimates could not serve as criteria upon which it is mandatory for the Government to pay termination claims.

The procedure would constitute an invitation to contractors to certify amounts to the procurement agencies in excess of actual costs. Prosecution for violations of the War Frauds sections of the Criminal Code would be most difficult. Further, many contractors honestly and in good faith would certify costs based upon items of expenditure which properly might be disallowed by procurement agencies as not within the scope of the contract.

Another objection to the mandatory payment procedure is the fact that in all probability the payment would be limited to 75 per cent of the amount which the contractor certifies as due. The current positions of many small contractors are such that the lack of



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liquidity of approximately one-fourth of their war receivables and inventory would tie-up working capital and delay conversion.

It has been proposed that advance and partial payments of termination costs due contractors be made exempt from setoff of any equities or counterclaims existing in the Government in respect to any amounts due it from the contractor. Such a procedure might well result in a loss to the Government of the assets to which it had recourse in the liquidation of advance payments, and in the loss of assets which normally would secure the payment of damages which the Government may have sustained through contractor action. The ultimate recovery of sums in which the Government has an equity interest, or to which it would be entitled if it pursued normally available remedies, would be jeopardized if such exemption were permitted.

In many cases financing sections of the Government have approved loans to companies solely on the basis of the critical nature of the item which the organization was manufacturing and the lack of financially responsible facilities with the necessary production know-how and equipment. Upon termination, materials, labor, facilities, overhead, and partially manufactured supplies which have been procured, paid for, and manufactured with the loan proceeds are transposed into termination claims or "estimates of termination costs." Exempting payments of the whole, or a portion of, such claims or costs from setoff of the outstanding advance or loan clearly would be giving the contractor a benefit to which he would not be entitled.

Other Proposals

The suggestion that legislation be enacted to authorize prime and sub-contractors to bring suits for partial payments after 30 days from request, has met with disfavor from practically all departments of the Government. Litigation would delay both final settlement and the interim financing thereof and personnel would be summoned from planned activities in connection with other settlements to testify before special courts. Further, court hearings ultimately would resolve themselves into audited settlements.

Every effort should be made both by contractors and Government agencies to arrange working capital loans by private financing institutions for the freeing of war inventories and receivables. When such private financing cannot be obtained, secondary consid-

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eration should be given to V, V-T, and T loans. Advance payments should be limited to prime contractor financing. Direct loans should be limited to subcontractor financing where the subcontractor is unable to obtain a private loan.¹⁵

Government financing procedures should be confined strictly to banking operations. Although certain controls over the operations of the borrower may be necessary in some cases as security measures, whenever possible, the policing of loans and advances should not extend to actual control of business.

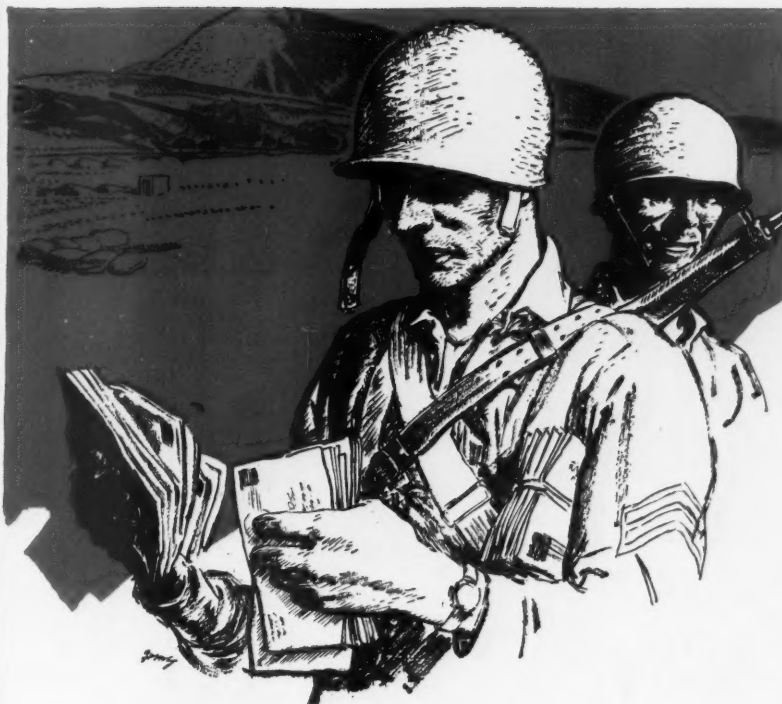
The availability of financing should not be delayed by reason of obligation owed by the contractor under renegotiation liabilities. Further, study should be made to determine procedures which most expeditiously would return monies to corporations under the carry-back and unused excess-profits credits provisions of the tax laws.

Today's Opportunity

More attention should be given to the financing of current cancellations. The procedures established to settle claims arising from current cancellations will, as modified by experience, serve to formulate policies and procedures under which a nation-wide settlement program may be administered after the Armistice. The problems of the contractor whose production has been currently cancelled have been considered by many sources as "not presenting any serious problems to business as a whole." If extraordinary reliefs are to be made available to business generally in the post-war settlement interim, a proving ground exists on which proposed settlement and financing procedures may be tested.

Enactment of an interim financing program and the extension of its procedures to current cancellations not only would afford a fair test of such measures, but probably would assist many deserving contractors in meeting the financial pitfalls of current cancellation. Although less broad and engulfing than post-war cancellations, current cancellations cannot be dismissed lightly; upon the ability of terminated contractors to overcome the financial hardships inherent in cancellation and to return to other useful production, rests the success of procurement schedules which depend upon financially weak but technically skilled and specialized facilities for performance.

¹⁵ Partial payments as strict payments are available as a matter of right to contractors, when it is clear that partial payments are due and regardless of whether private financing has been or can be obtained.



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Your postoffice or RFD carrier will supply V-Mail forms. Buy them at your stationery store. Or we will send a packet of six V-Mail forms with our compliments. Address . . .



PITNEY-BOWES POSTAGE METER CO.

1566 Pacific Street, Stamford, Conn.

Originators of Metered Mail, the world's largest manufacturers of Postage Meters, which print postage for business mail . . . now devoted exclusively to war production.





Why SUGGESTION SYSTEMS FAIL

(AND WHAT TO DO ABOUT IT)

The Case of the Disused Idea Box looks like a good mystery until the bright light of common sense hits it: Here is what you generally find. (1) Either the operators were unable or unwilling to maintain a constant promotional effort, or (2) they lacked knowledge of the basic principles which make suggestion systems work.

Where Cobwebs Never Had a Chance

Users of the Morton Method know that these fatal mistakes can be avoided. This 15-year old veteran of over 10,000 installations is the proved, resultful, professional way of doing the suggestion system job. No matter how small or large your company, the Morton Method brings these three indispensables to every job of utilizing an organization's "thinking up" capacity.

- (a) It provides a complete plan adaptable to your particular needs.
- (b) It furnishes *all* necessary physical equipment.
- (c) It makes available the knowledge gained from 15 years of experience in this field.

The Price You DON'T Pay

The Morton Method protects your business against paying the price of overlooked opportunities. It gives you access to *all* the money-saving, profit-producing ideas your employees can think up.

Complete, cost-free details on the Method are yours for the asking. Simply write, wire or phone today telling us the number of employees you have—we'll do the rest.



The MORTON METHOD

MORTON MANUFACTURING COMPANY
SUGGESTION SYSTEM DIVISION

328 N. Leamington Avenue
Chicago Illinois



ECONOMIC STRATEGY

SOME months ago, the Treasurer of one of the nation's largest corporations started hunting for information on how companies like his had fared during the inflation period in Germany. "I hope it won't happen here, but if it does, I want to be ready. That's part of my job."

Too many business men are saying "I can't do any planning because I don't know what post-war business conditions will be like." That is sheer nonsense.

To be sure, there are so many plant and market readjustments, so much possible unemployment, such potential speculative inflation and subsequent deflation, that the result may be a long post-war depression. On the other hand, there is enough pent-up demand, accumulated savings, and rehabilitation work to provide a long period of post-war prosperity.

Whether depression or prosperity will depend largely upon the order and smoothness of the readjustments which must be made. The forward-looking man will not wait for the future to unroll, but will plan for various contingencies. The wise general doesn't wait for the outcome of the battle before he plans his next step.

Willard L. Thorp
E D I T O R

